

BEFORE THE
ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
NORTH SHORE GAS COMPANY)
) No. 01 -0469
Proposal to implement Riders SVT)
and AGG, and revise Rider 2, Terms)
and Conditions, and Table of)
Contents. (Tariffs filed on)
May 16, 2001.))
)
THE PEOPLES GAS LIGHT AND COKE)
COMPANY)
) No. 01 -0470
)
Proposal to revise Riders SVT, AGG,)
Rider 2, Terms and Conditions and)
Table of Contents (Tariffs filed on)
May 16, 2001.))

Chicago, Illinois
October 23, 2001
Met pursuant to notice at 9:30 a.m.

BEFORE :

MR. WILLIAM SHOWTIS and MR. SHERWIN ZABAN,
Administrative Law Judges.

1 APPEARANCES:

2 MS. MARY KLYASHEFF
130 East Randolph Drive, 23rd Floor
3 Chicago, Illinois 60601
Appearing for North Shore & Peoples;

4 MS. KAREN M. HUIZENGA and
5 MS. CARLA MEINERS
106 East Second Street
6 Davenport, Iowa 52808
Appearing for MidAmerican Energy Company;

7 THE LAW OFFICE OF MICHAEL A. MUNSON, by
8 MR. MICHAEL A. MUNSON
8300 Sears Tower
9 233 South Wacker Drive
Chicago, Illinois 60606
10 Appearing for Dominion Retail, Inc.;

11 MR. ROBERT J. KELTER
208 South LaSalle Street, Suite 1760
12 Chicago, Illinois 60604
Appearing for Citizens Utility Board;

13 PIPER MARBURY RUDNICK & WOLFE, by
14 MR. DAVID I. FEIN and
MS. MICHELLE MROZEK
15 293 North LaSalle Street, Suite 1800
Chicago, Illinois 60601
16 Appearing for The New Power Company;

17 MS. ERIKA D. EDWARDS
100 West Randolph
18 Chicago, Illinois 60601
Appearing for the People of the State
19 of Illinois;

20 MS. LEIJUANA DOSS and
MS. MARIA SPIECUZZA
21 69 West Washington, Suite 700
Chicago, Illinois 60602
22 Appearing for the People of Cook County;

1 MR. STEVEN G. REVETHIS and
2 MR. ANDREW G. HUCKMAN
3 160 North LaSalle Street, Suite C -800
4 Chicago, Illinois 60601
5 Appearing for Staff.

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SULLIVAN REPORTING COMPANY, by
Tracy L. Ross, CSR

1	I N D E X					
2	Witnesses:	Direct	Cross	Re - direct	Re- cross	By Examiner
3	Valerie					
4	Grace	22	25			33
5	Debra					
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7	David					
8	Wear	139	141,148 165			168,172
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21	Eric					
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24	Staff 3.0		301
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1 JUDGE SHOWTIS: Pursuant to the authority
2 vested in me by the Commission, I call for
3 hearing Docket 01-0469, which concerns the
4 proposal of North Shore Gas Company to implement
5 Riders SVT and AGG and revise Rider 2, Terms and
6 Conditions, and Table of Contents and Docket
7 No. 01-0470, which concerns the proposal of the
8 Peoples Gas Light and Coke Company to revise
9 Riders SVT, AGG and Rider 2, Terms and
10 Conditions, and Table of Contents.

11 Will the parties please enter their
12 appearances for the record.

13 MS. KLYASHEFF: Appearing for North Shore Gas
14 Company and for the Peoples Gas Light and Coke
15 Company, Mary Klyasheff, 130 East Randolph Drive,
16 Chicago 60601.

17 MS. HUIZENGA: Karen Huizenga and Carla
18 Meiners appearing on behalf of MidAmerican Energy
19 Company, 106 East Second Street, Post Office Box
20 4350, Davenport, Iowa 52808.

21 MR. MUNSON: On behalf of Dominion Retail,
22 Inc., Michael Munson from the Law Office of

1 Michael A. Munson, 8300 Sears Tower, 233 South
2 Wacker Drive, Chicago, Illinois 60606.

3 MR. KELTER: On behalf of the Citizens Utility
4 Board, Robert Kelter, 208 South LaSalle, Suite
5 1760, Chicago 60604.

6 MR. FEIN: Appearing on behalf of The New
7 Power Company, David I. Fein and Michelle Mrozek,
8 it's M-r-o-z-e-k, of the law firm of Piper
9 Marbury Rudnick & Wolfe, 203 North LaSalle
10 Street, Suite 1800, Chicago, Illinois 60601.

11 MS. EDWARDS: Appearing on behalf of the
12 People of the State of Illinois, Erika Edwards
13 from the Illinois Attorney Generals Office, 100
14 West Randolph, Chicago, Illinois 60601.

15 MR. REVETHIS: Steven G. Revethis and Andrew
16 G. Huckman, Staff Counsel appearing on behalf of
17 the Illinois Commerce Commission Staff, 160 North
18 LaSalle, Chicago, Illinois 60601.

19 JUDGE SHOWTIS: At the --

20 MR. REVETHIS: Hold on.

21 JUDGE SHOWTIS: Okay. You want to enter your
22 appearance, Leijuana?

1 MS. DOSS: Leijuana Doss, Cook County States
2 Attorneys Office, 69 West Washington, Suite 700,
3 Chicago, Illinois 60602, appearing on behalf of
4 the People of Cook County.

5 JUDGE SHOWTIS: Are there any other
6 appearances? Let the record show there are
7 none.

8 At the prehearing conference the
9 Administrative Law Judges granted the petitions
10 to intervene that have been received as of that
11 date. There were numerous petitions to intervene
12 filed subsequent to the -- on or subsequent to
13 that date, so I'm going to rule on those now.

14 With regard to Docket 01-0469 petitions
15 to intervene filed by the Citizens Utility Board,
16 the People of Cook County, Northern Illinois Gas
17 Company, d/b/a Nicor Gas Company, National Energy
18 Marketers Association, Dominion Retail, Inc., and
19 Avid Laboratories Inc., (phonetic) are granted.

20 And with regard to Docket 01-0470, the
21 petitions to intervene filed on behalf of the
22 Citizens Utility Board, the People of the State

1 of Illinois, the People of Cook County, Northern
2 Illinois Gas Company, d/b/a Nicor Gas Company,
3 National Energy Marketers Association,
4 MidAmerican Energy Company, Dominion Retail,
5 Inc., and A. Finkl, F-i-n-k-l, & Sons are
6 granted.

7 I believe those are all the petitions to
8 intervene that have been filed. We previously
9 granted the petitions to intervene filed by the
10 People of the State of Illinois and New Power
11 Company in Docket 01-0469 and the petition to
12 intervene filed by New Power Company in Docket
13 01-0470.

14 The Administrative Law Judges received
15 the estimate of the time that the parties had for
16 cross-examination of various witnesses.

17 We'd like to go off the record.

18 (Discussion off the record.)

19 JUDGE SHOWTIS: Would the witnesses please
20 stand and raise their right hands and I'll swear
21 in whoever is here.

22 (Witnesses sworn.)

1 JUDGE SHOWTIS: Ms. Klyasheff, you can call
2 your first witness.

3 MS. KLYASHEFF: We call our first witness,
4 Valerie H. Grace.

5 VALERIE GRACE,
6 called as a witness herein, having been first
7 duly sworn, was examined and testified as
8 follows:

9 DIRECT EXAMINATION

10 BY

11 MS. KLYASHEFF:

12 Q. Ms. Grace, I show you two documents, one
13 is in the Peoples Gas case, one in the North
14 Shore case regarding the captions of those cases,
15 each marked as Respondent's Exhibit E, each
16 entitled Rebuttal Testimony of Valerie H. Grace.
17 Do these documents contain the direct testimony
18 that you wish to give in this proceeding?

19 A. Yes.

20 Q. Do you have any changes to make to either
21 of the documents?

22 If I were to ask you the questions

1 contained in these documents at this time, would
2 your answers be the same as set forth therein?

3 A. Yes.

4 Q. Do you adopt these documents as your sworn
5 rebuttal testimony in this proceeding?

6 A. Yes.

7 Q. I now show you two documents; one for
8 Peoples Gas and one for North Shore bearing the
9 captions of those cases marked for identification
10 as Respondent's Exhibit H and each entitled
11 Surrebuttal Testimony of Valerie H. Grace. Do
12 these documents contain the surrebuttal testimony
13 that you wish to give in this proceeding?

14 A. They do.

15 Q. Do you have any changes to make to either
16 document?

17 A. No.

18 Q. At this time if I were to ask you the
19 questions contained in these documents, would
20 your answers be the same as set forth therein?

21 A. Yes.

22 Q. Do you adopt these documents as your sworn

1 rebuttal testimony at these proceedings?

2 A. I do.

3 Q. I show you documents in each of the
4 Peoples Gas and North Shore cases marked for
5 identification as Respondent's Exhibit No. 7 and
6 8. Are these the exhibits to which you refer in
7 your testimony by reference to those numbers?

8 A. Yes.

9 Q. Were these exhibits prepared by you or
10 under your supervision and direction?

11 A. They were.

12 MS. KLYASHEFF: I note for the record that
13 these documents are all on E-docket in the form
14 that we wish to have them admitted and at this
15 time, subject to cross-examination, I move for
16 admission of Respondent's Exhibits E, H, 7 and 8
17 in each of the Peoples Gas and North Shore cases.

18 JUDGE SHOWTIS: Is there any objections?
19 Respondent's Exhibits E, H, 7 and 8 in Dockets
20 01-0469 and 01-0470 are admitted into evidence as
21 they appear on the E-docket system.

22

1 (Whereupon, Respondent's
2 Exhibit Nos. E, H, 7 and 8 were
3 admitted into evidence as
4 of this date.)

5 JUDGE SHOWTIS: And just so it's clear, any
6 exhibits that are on the E-docket system that are
7 going to be admitted without any changes, we
8 don't need any copies for the reporter to mark.
9 If there are revisions, though, we would need one
10 copy for the reporter. And I do have a list of
11 the exhibits that are on E-docket and I think
12 almost all of the -- if not all of the testimony
13 and exhibits are on E-docket.

14 Parties may cross-examine.

15 CROSS-EXAMINATION

16 BY

17 MR. HUCKMAN:

18 Q. My name is Andrew Huckman and I'm with the
19 Staff of the Illinois Commerce Commission. I
20 have a few questions, probably about 10 for you
21 if it's okay with you and with the Examiners. I
22 would like you to assume that all questions

1 relate to both dockets; the 469 North Shore
2 Docket, also the 470 Peoples Docket. If in any
3 instance the answer would be different for one of
4 the companies than the other, if you could
5 specify that in your answer.

6 I recognize that there's some
7 differences as to whether there are savings in
8 this case, but assuming that the Commission
9 concludes that the Company's realize savings due
10 to reduced gas storage inventory related to the
11 Choices For You Program and assuming again that
12 the Commission concludes that savings credits
13 should be provided to customers, my sense of your
14 testimony is that you disagree with certain parts
15 of the saving credit formula that Staff has
16 proposed. Is that a fair assessment?

17 A. Yes.

18 Q. I want to talk briefly about some of the
19 components of the savings formula and I want to
20 refer you to your rebuttal testimony,
21 specifically, Page 5. Do you have a copy
22 available?

1 A. Yes.

2 Q. In approximately lines 97 and 98 you state
3 that the average storage inventory in a normal
4 year would be the most appropriate formula, is
5 that correct?

6 A. Yes.

7 Q. And also on Page 3 of your rebuttal
8 testimony, approximately line 50, you state that
9 an objective in reliable determination of whether
10 normalized data would not be practical nor
11 possible; is that correct?

12 A. You're on my surrebuttal testimony.

13 Q. I apologize, that's correct. Page 3 of
14 your surrebuttal testimony.

15 A. Yes.

16 Q. Okay. Could you give a brief explanation
17 of what you mean by a normal year?

18 A. A normal year would assume normal weather,
19 so weather that's not extreme cold or extreme
20 warm but based on the Company's 30 -year normal
21 weather.

22 JUDGE ZABAN: So you're talking about average?

1 THE WITNESS: It's not average, but it's --
2 JUDGE ZABAN: It's not average rate?
3 THE WITNESS: No. It's based on a 30-year
4 history of weather, but it's normalized for
5 weather, meaning that it's weather that's
6 expected -- that would be expected absent any
7 weather that's colder or warmer than normal. I
8 feel like I'm talking in circles.
9 JUDGE ZABAN: No, I understand. I see what
10 you're saying, there's a difference between
11 average and normal.
12 THE WITNESS: Right. But it's not average,
13 it's normal --
14 JUDGE ZABAN: Okay. So normal would be --
15 THE WITNESS: -- normal year.
16 JUDGE ZABAN: -- within a range?
17 THE WITNESS: Yes.
18 JUDGE ZABAN: Within a specific range for that
19 time of year, is that correct?
20 THE WITNESS: Yes. Well, for the entire year.
21 BY MR. HUCKMAN.
22 Q. And that would be based on the 30-year

1 figure that you just mentioned, correct?

2 A. Yes.

3 Q. Does the Company use weather normalized
4 data in rate case proceedings?

5 A. Yes, we do.

6 Q. Is that figure calculated in the same way
7 as it would be calculated in this proceeding?

8 A. I'm not quite sure how you're proposing to
9 calculate it in this proceeding.

10 Q. I'm sorry. Is weather normalization done
11 the same way in a rate case proceeding as the
12 Company -- weather normalizes for purposes of
13 this proceeding?

14 A. In a rate case, typically, you're looking
15 at a test year, which is a future year. In this
16 proceeding, Staff is proposing that we do a
17 20-year historical normalization. So from that
18 perspective, no, it's not the same.

19 Q. One moment please. I wanted to ask some
20 questions about the price of storage gas
21 component of the savings formula. Is the price
22 that the Company currently pays to purchase

1 storage gas based on market prices?

2 A. Cost of the gas -- the cost of gas the
3 Company purchases would be based on current
4 prices for some of -- this portfolio, yes.

5 Q. Do you consider the market price an
6 incremental cost incurred by the Company?

7 A. Yes.

8 Q. Excuse me for one moment. I wanted to ask
9 about the carrying charge rate component of the
10 savings formula and I was wondering, would you
11 agree that the average cost of gas in storage
12 earns a return based on the Company's improved
13 overall cost of capital?

14 A. The average cost of inventory gas does,
15 but purchased gas do not.

16 Q. Could you explain why not?

17 A. Well, purchased gas is like an expense
18 item. This gas that you purchase can be sent out
19 or go into storage. The cost of gas that's in
20 storage is an asset as an inventory item so, I
21 believe the Company is allowed a rate of return.

22 Q. I wanted to turn to the issue of savings

1 credits. Regarding the issue of savings credits,
2 would you agree that even with such credits the
3 positive annual revenues are projected to accrue
4 to the Company for the Choices for You Program
5 beginning in the year 2003 and continuing each
6 year thereafter?

7 A. No, I would not agree with that.

8 Q. And why would you not agree with that?

9 A. If you look at my Exhibit 7 which does
10 calculations similar to that put forth by Staff,
11 we show that as of 2005 it will be a positive net
12 deficit as opposed to a net savings.

13 Q. Another question --

14 A. Exhibit 8 would show the same result.

15 Q. Okay. Another question related to savings
16 credit. To the best of my knowledge in your
17 testimony, you do not discuss whether you agree
18 or disagree with Staff's recommendation to
19 include the savings credit formula in the
20 Company's tariffs; is that correct?

21 A. Yes.

22 Q. Would you agree with Staff's

1 recommendation on this issue?

2 A. To the extent that the Commission ordered
3 that the Companies include a credit, we would
4 consider putting the calculation on the tariffs.

5 Q. Finally, I would just like to summarize
6 some areas where I believe there is an agreement
7 between the Companies and Staff. Would you agree
8 with the Staff position that individual credits
9 should be provided to Rate 1 heating customers,
10 Rate 1 non-heating customers and Rate 2
11 customers?

12 A. First of all, the Company does not agree
13 that a credit should be made to Rate 1 and Rate 2
14 customers. We do believe that this is a single
15 issue rate making item, but to the extent that
16 the Commission were to order the Company to
17 include a credit, we think that individual
18 credits are most appropriate.

19 Q. And also to the extent that the Commission
20 were to make such an order, would you agree that
21 these credits should be revised annually?

22 A. Yes.

1 MR. HUCKMAN: That is the end of my questions,
2 thank you.

3 JUDGE SHOWTIS: Any other -- I just have a
4 question or two.

5 THE WITNESS: Oh, certainly. Pardon my
6 premature departure.

7 EXAMINATION

8 BY

9 JUDGE SHOWTIS:

10 Q. Assuming the Commission determines that
11 there should be some recognition of savings with
12 regard to gas inventory costs, do you believe
13 that it is appropriate to recognize those savings
14 as a credit against the rates that the individual
15 customers would pay? In other words, savings can
16 be recognized in different ways. I believe in
17 the Nicor proceeding there was a recognition of
18 savings that was used as an off set, or at least
19 at this point in time, an elimination of the
20 charges that the gas suppliers would pay and I
21 didn't know if you were taking a position that if
22 there was to be some recognition of savings that

1 it would be appropriate to recognize them as a
2 credit against the rates that the customers would
3 pay under Rider SVT as opposed to some off set
4 against fees that suppliers would pay under Rider
5 AGG?

6 A. I think there's a difference in the Nicor
7 case and the Peoples and North Shore cases in the
8 sense that if the Commission were to order a
9 credit, we're proposing that those credits be
10 individual and they wouldn't be the same. I
11 think to the extent that you were off setting an
12 individual credit against the tariff rate to a
13 supplier just wouldn't work it would be most
14 confusing because every rate would be different
15 as well as the Rider AGG. I just don't think it
16 would work in this proceeding.

17 Q. So to summarize, then, you believe that if
18 there is to be a credit, it should be a --

19 A. It should be stand alone credit.

20 Q. A stand alone credit for the customers?

21 A. Right.

22 JUDGE SHOWTIS: That's all the questions I

1 have. You can step down.

2 You may proceed.

3 MS. KLYASHEFF: Respondent calls Ms. Egelhoff.

4 DEBRA EGELHOFF,

5 called as a witness herein, having been

6 previously duly sworn, was examined and testified

7 as follows:

8 EXAMINATION

9 BY

10 MS. KLYASHEFF:

11 Q. Please state your name and business

12 address for the record.

13 A. My name is Debra Egelhoff. My business

14 address is 130 East Randolph, Chicago, Illinois

15 60601.

16 Q. I now show you two documents, one in the

17 Peoples case, one in the North Shore case, each

18 marked for identification as Respondent's

19 Exhibit A and entitled the Direct Testimony of

20 Debra Egelhoff.

21 I show you two documents again in each

22 of the cases each marked for identification as

1 Respondent's Exhibit C and entitled Rebuttal
2 Testimony of Debra Egelhoff.

3 And two documents in each of the cases,
4 Respondent's Exhibit F, entitled Surrebuttal
5 Testimony of Debra Egelhoff. Do these documents
6 contain the testimony that you wish to give in
7 these proceedings?

8 A. Yes.

9 Q. Do you have any changes to any of these
10 documents?

11 A. No.

12 Q. At this time if I were to ask you the
13 questions contained in these documents, would
14 your answers be the same as set forth therein?

15 A. Yes.

16 Q. Do you adopt these documents as your sworn
17 testimony in these proceedings?

18 A. Yes.

19 Q. I now show you several documents, again,
20 in each of the cases marked for identification as
21 Exhibits 1 through 6 and Exhibit 9. Are these
22 the documents to which you refer to by reference

1 to these numbers in your testimony?

2 A. Yes.

3 Q. Were each of those documents prepared by
4 you or under your supervision or direction?

5 A. Yes.

6 MS. KLYASHEFF: Each of these exhibits is in
7 E-docket in the form that we wish to have them
8 admitted. At this time I move for admission in
9 each of the dockets Respondent's Exhibits A, C,
10 F, 1 through 6, and 9, subject to
11 cross-examination.

12 JUDGE SHOWTIS: Any objection? Respondent's
13 Exhibits A, C, F, 1 through 6 and 9 in Dockets
14 01-0469 and 01-0470 are admitted into evidence.

15 (Whereupon, Respondent's
16 Exhibit Nos. A, C, F, 1-6 and 9
17 were admitted into evidence as
18 of this date.)

19 JUDGE SHOWTIS: Parties may cross-examine.

20

21

22

1 CROSS -EXAMINATION

2 BY

3 MR. FEIN:

4 Q. Good morning, Ms. Egelhoff.

5 A. Good morning.

6 Q. Would you agree that experience in other
7 states with regards to residential choice
8 programs are useful in developing the Choices For
9 You Program?

10 A. Yes.

11 Q. Would you agree that all else being equal
12 that Peoples Gas would make more money if only a
13 few customers choose an alternate supplier under
14 the program?

15 A. It would make more money, is that what you
16 said?

17 Q. As opposed to if a large number of
18 customers took service under the program from an
19 alternate supplier?

20 A. No.

21 Q. Is it your testimony, then, that the
22 Company's indifferent to how many customers

1 choose an alternate supplier with respect to
2 revenues that the Company receives?

3 A. Yes.

4 Q. How is that?

5 A. From the gas commodities, right?

6 Q. Yes.

7 A. Yes.

8 Q. Now, in establishing the enrollment limits
9 that you propose for the program, did the Company
10 look at any other programs for guidance or
11 direction?

12 A. No. We took into consideration gas supply
13 considerations for that.

14 Q. So you didn't look to other states for
15 guidance on the enrollment limits for example?

16 A. No.

17 Q. Are you aware of residential choice
18 programs in other states?

19 A. Yes.

20 Q. Are you aware and familiar with enrollment
21 limits with respect to programs in the state of
22 Ohio for example?

1 A. Generally, but not specifically.

2 Q. Are you aware what programs that Atlanta
3 Gas Light Company has in the state of Georgia?

4 A. I'm generally, yes.

5 Q. Are you aware that there are no enrollment
6 limits in either of these programs?

7 A. Currently, right, there are no limits.

8 Q. Now, did the Company solicit input
9 regarding the proposed enrollment limits?

10 A. We did. Before we filed the tariffs, we
11 did speak with the Commission Staff as well as
12 suppliers and presented the enrollment limits
13 that we would file.

14 Q. And was this a meeting where you presented
15 this at?

16 A. Mm-hmm.

17 Q. And how many suppliers were in attendance?

18 A. Well, all six qualified suppliers were
19 asked to attend. Three of them were actually
20 present. The other three received the materials
21 in the mail.

22 Q. And one of those three that was in

1 attendance was that Peoples affiliate, Peoples
2 Energy Service?

3 A. Yes.

4 Q. Suppliers who were not currently
5 participating in the Choices For You Program,
6 they were not solicited for input; is that
7 correct?

8 A. Correct.

9 Q. Now on lines 412 to 414 of your rebuttal
10 testimony, you indicated that enrollment limits
11 could be increased if the Company determined that
12 its gas supply portfolio would not be adversely
13 affected; is that correct?

14 A. Yes.

15 Q. How would you determine if the Company's
16 gas supply portfolio would be adversely affected
17 by an -- by increased enrollment?

18 A. We'd have to discuss it with the gas
19 supplier.

20 Q. And this determination would be made by
21 whom? The Company?

22 A. The Company.

1 Q. Would this determination be reviewed by
2 anyone else such as the Commission Staff?

3 A. As we mentioned here, we were discussing
4 the proposed increase with Commission Staff prior
5 to making the informational filing.

6 Q. And it's now the Company's position, I
7 believe, in your surrebuttal testimony that the
8 Company would make a tariff filing if it decided
9 to suspend the enrollment limits as well?

10 A. Yes.

11 Q. And, again, the reason that you've given
12 in your testimony for possible suspension of
13 enrollment limits are gas supply planning
14 considerations; is that correct?

15 A. Well, if the tariff is approved with
16 enrollment limits, once those enrollment limits
17 are reached the suspension would automatically
18 occur, so it wouldn't be the Company deciding to
19 suspend enrollment, it would be when they reached
20 the enrollment limits.

21 Q. So I can understand your proposal here, is
22 it the Company's position that if gas supply

1 planning considerations indicate that it would be
2 appropriate to increase the enrollment limits
3 that the Company would come forward and make that
4 proposal to the Commission?

5 A. Yes.

6 Q. Would the Company notify small volume
7 transportation suppliers regarding the impending
8 tariff filing?

9 A. Yes.

10 Q. How far in advance would the Company agree
11 to notify participating suppliers of any pending
12 tariff filing?

13 A. I don't have a specific time at this time.

14 Q. Do you know what form this notification
15 would take?

16 A. Generally we send out letters. We also
17 could hold meetings depending on the nature of
18 the topics that we would like to discuss with
19 them.

20 Q. And if you conducted such meetings or sent
21 such letters, would you give participating
22 suppliers an opportunity to respond and provide

1 input regarding the proposal?

2 A. Yes.

3 Q. If I understand your testimony, you
4 indicate that the Company would have no reason
5 not to increase the enrollment limits if two
6 events occur. One, if the limits were reached
7 prior to the effective date of the next
8 enrollment; and, two, if there were no adverse
9 affects on the gas supply portfolio; is that
10 correct?

11 A. Yes.

12 Q. Now, if I also understand your testimony,
13 the Company, however, is opposed to including
14 this language in your tariffs; is that correct?

15 A. Is that what I said -- I don't know.

16 JUDGE SHOWTIS: Do you have a cite, Mr. Fein,
17 where you believe the witness said that?

18 BY MR. FEIN:

19 Q. Just give me a minute, please.

20 Well, let me ask this question: Would
21 the Company be opposed to including such language
22 in the tariff?

1 A. If the Commission required us to put it in
2 there we would.

3 JUDGE ZABAN: I didn't -- the point is, would
4 you do it voluntarily without the Commissions
5 request?

6 THE WITNESS: Yes.

7 BY MR. FEIN:

8 Q. Are you familiar with what standards of
9 measures the Company uses to determine whether
10 there would be no adverse affects on the gas
11 supply portfolio or is that something outside of
12 your realm of expertise?

13 A. It's outside of my expertise.

14 Q. Now, on Page 9 of your surrebuttal
15 testimony you discuss how the Company currently
16 keeps small volume transportation suppliers
17 up-to-date on the enrollment numbers. Do you see
18 that language, if you recall presenting that
19 testimony?

20 A. Yes.

21 Q. Now, is this a once-a-month e-mail
22 communication with total enrollment figures?

1 A. Currently it's once a month and through
2 e-mails, but when enrollment was -- when there
3 was more enrollment activity, we actually did it
4 two times a week.

5 Q. And if the Company's proposal to implement
6 the expansion of the Choices For You Program,
7 will this notification continue?

8 A. Yes.

9 Q. Once a month?

10 A. I would assume more often, maybe even
11 daily depending on the amount of enrollment that
12 we're seeing.

13 Q. And what would -- can you put into context
14 what type of enrollment figures would dictate the
15 frequency with which you would notify suppliers?

16 A. To be honest -- I mean, the Company's
17 considering posting something on our Web site
18 similar to what Nicor Gas does, so it's
19 automatically going to be posted to our Web site
20 regardless of the level of enrollment.

21 Q. With respect to these updates to small
22 volume transportation suppliers, is there any

1 other information that currently has been
2 provided other than just the raw enrollment
3 numbers?

4 A. The total number eligible. I think that's
5 it at this point.

6 Q. Would the Company be opposed to including
7 tariff language that specifically identifies the
8 provision of this information and notifications
9 to SVT suppliers?

10 A. I don't know if I can make that decision.
11 I don't know if the Company --

12 Q. Would the Company be opposed to inclusion
13 of that requirement in the Commission's order in
14 this proceeding?

15 A. No.

16 Q. I believe in your rebuttal testimony on
17 Page 3, you indicate that the proposed enrollment
18 limits, as well as the grace period are designed
19 to address gas supply planning considerations
20 while affording reasonable access to the program;
21 is that correct?

22 A. Yes.

1 Q. Now, it's correct that the Company
2 currently serves approximately 758,600 Rate 1
3 residential customers; is that correct?

4 A. Approximately, yes.

5 Q. And is it correct that the Company
6 projects that it expects to serve slightly fewer
7 Rate 1 residential customers in the year 2002?

8 A. That was part of the data request, right?

9 Q. (Nodding.)

10 JUDGE ZABAN: If you know.

11 THE WITNESS: Yes, it was slightly lower. I'm
12 not sure exactly.

13 BY MR. FEIN:

14 Q. Now, in the first year of the program the
15 Company proposes to limit the eligibility to
16 75,000 Rate 1 customers; is that correct?

17 A. Yes.

18 Q. Therefore, roughly 675,000 customers in
19 the Company's Rate 1 class would not be allowed
20 to participate in the first year of the program;
21 is that correct?

22 A. Yes.

1 Q. And if my math's correct, that's only
2 about 9 percent of the Rate 1 class is eligible
3 to participate in the first year of the program;
4 is that correct?

5 A. Yes.

6 Q. And is it your testimony, then, that
7 prohibiting 91 percent of the Company's customers
8 from participating in the program is affording
9 reasonable access to the program in the first
10 year?

11 A. It's affording reasonable access while
12 addressing the gas supply considerations.

13 Q. Now, on lines 311 to 313 of your rebuttal
14 testimony you discuss the open enrollment period,
15 I believe, for the Rate 2 customers that are
16 currently in the program; is that correct?

17 A. Yes.

18 Q. And I believe that during that time frame
19 that you referenced there in your testimony,
20 approximately 82,000 Rate 2 customers were
21 eligible during this open enrollment period; is
22 that correct?

1 A. Yes.

2 Q. And is it also correct that as of
3 July 31st of this year that slightly over 11,000
4 Rate 2 customers enrolled in the program during
5 this open enrollment period?

6 A. Yes.

7 Q. And, again, if my math is correct here,
8 that would mean that approximately 13 -and-a-half
9 percent of the eligible Rate 2 customers enrolled
10 in the program during this open enrollment
11 period; is that correct?

12 A. Yes.

13 Q. Now, if this same 13 -and-a-half percent of
14 your Rate 1 customers expressed a desire to
15 enroll in the program, they would not all be
16 allowed to participate based on the enrollment
17 limits that have been proposed; is that correct?

18 A. Yes.

19 Q. Now, in the second year of the program the
20 Company projects that it will serve
21 approximately, I believe, 750,000 Rate 1
22 customers in the year 2003?

1 A. That's from the data request?

2 Q. Yes. Do you recall that?

3 A. Yes.

4 Q. And, again, in the second year of the
5 program there is also an enrollment limit of
6 125,000 Rate 1 customers?

7 A. Yes.

8 Q. This would be in addition to 5,000
9 customers who would be eligible from the prior
10 year?

11 JUDGE SHOWTIS: Did you say 5?

12 BY MR. FEIN:

13 Q. 50,000, I'm sorry.

14 A. Yes.

15 Q. Thus, in the second year of the program,
16 the program will be available to approximately 16
17 or 17 percent of the Company's Rate 1 class of
18 customers?

19 A. Yes.

20 Q. Now, these percentages would decrease if
21 the Company had an increase in the number of
22 customers that it was serving in its Rate 1

1 class; would that be correct?

2 A. It would be correct.

3 Q. And that in the second year of the program
4 there would still be approximately 625,000
5 customers in the Rate 1 class that would not be
6 allowed to participate; is that correct?

7 A. That's correct.

8 Q. In the third year of the program there are
9 also enrollment limits that are proposed by the
10 Company, is that correct?

11 A. Yes.

12 Q. And that enrollment limit is 180,000 Rate
13 1 customers, correct?

14 A. Yes.

15 Q. Is it also correct that the Company
16 projects that it will serve approximately the
17 same 750,000 Rate 1 residential customers?

18 A. Approximately.

19 Q. And, thus, in the final year of the
20 program after 2 years of experience with the
21 program, the program would still only be
22 available to approximately 24 percent of the

1 Company's Rate 1 residential class of customers;
2 is that correct?

3 A. Yes.

4 Q. Okay. Let's talk about the minimum stay
5 requirements. As I understand the proposal, a
6 customer who's participating in the program who
7 wishes to change suppliers must make this switch
8 within 60 days; is that correct or else they
9 return to the Company's bundled service?

10 A. They return to the Company's bundled
11 service --

12 Q. Immediately when they switch suppliers?

13 A. Well, actually a customer can switch
14 suppliers without returning to bundled service,
15 but if they return to bundled service and wish to
16 choose a new supplier, they would have 60 days to
17 make that choice before they would have to be
18 required to stay an additional 10 months under
19 the proposal.

20 Q. How many days advanced notice is required
21 for a customer to return to service under Peoples
22 bundled service rates?

1 A. You mean if their moving...

2 Q. A customer wants to terminate service

3 under the Choices For You Program --

4 A. Okay.

5 Q. -- and return to Peoples bundled service.

6 What kind of notice do they need to give Peoples

7 before they're able to return?

8 A. They don't give us any notice.

9 JUDGE ZABAN: I have a quick question. When a

10 person changes service and drops out of the

11 program, are they then automatically ineligible

12 to join the program again?

13 THE WITNESS: Well, under the proposal, they

14 would have 60 days to choose another supplier to

15 come back into the program.

16 JUDGE ZABAN: Otherwise they would be banded

17 from the program?

18 THE WITNESS: For a full 12 months.

19 JUDGE ZABAN: And then you would pick somebody

20 else to join the program or would that -- the

21 numbers decrease who are eligible for the program

22 completely?

1 THE WITNESS: Mm-hmm.

2 JUDGE ZABAN: In other words, what I'm asking

3 you is, say customer A drops out of the program,

4 are you going to select someone else from your

5 pool of people who aren't in the program, invite

6 them to join the program or are you going to have

7 one fewer number of people in the program

8 altogether?

9 JUDGE SHOWTIS: He's assuming, I guess, for

10 the purposes of the question that the limit was

11 reached --

12 JUDGE ZABAN: Right.

13 JUDGE SHOWTIS: -- and then someone drops out,

14 would that free -- say five customers for

15 whatever reason drop out, would there be five

16 additional customers that would then be eligible?

17 THE WITNESS: Right. There would be five

18 spaces available for five more customers.

19 JUDGE ZABAN: So the Company would endeavor to

20 keep the program at the maximum?

21 THE WITNESS: At the enrollment limit.

22 JUDGE ZABAN: It would be like a waiting list?

1 THE WITNESS: We hadn't discussed that. The
2 Company could create a waiting list, but I don't
3 know if that would be to the benefit of the
4 customers and suppliers if it's like a 6-month
5 wait with a contract or price that will be good
6 that they had signed up with a supplier, but that
7 could be discussed.

8 JUDGE ZABAN: Okay. I'm assuming that if what
9 Mr. Fein is leading at is that it appears in the
10 beginning there may be more customers who desire
11 to join this then you're going to make available.
12 How are you going to determine how people get to
13 enter the program who are initially denied?

14 THE WITNESS: We could do a waiting list or we
15 could just do the first five that would be
16 enrolled from a supplier -- the next five that
17 come up. And as I mentioned, the suppliers are
18 going to be aware of the enrollment limits as
19 they go up -- or the enrollment level as it goes
20 up and down and would see opportunity to enroll
21 more customers.

22 JUDGE SHOTTIS: So what you're saying it would

1 be more or less a first come, first serve then?

2 THE WITNESS: That's what the Company would
3 see that it would be more beneficial, but if a
4 waiting list would be required we would consider
5 that.

6 BY MR. FEIN:

7 Q. During this period -- are you finished? I
8 didn't want to interrupt --

9 JUDGE ZABAN: We're silent. Go ahead.

10 BY MR. FEIN:

11 Q. After a customer terminates its service
12 with a supplier under the program, the Company --
13 will the Company agree to notify that customer
14 regarding it's options during the so-called grace
15 period?

16 A. Yes. I believe I mentioned that in one of
17 my surrebuttal testimony that we will send a
18 confirmation of termination letter and in that
19 letter we will let them know that there is a
20 60-day grace period to choose another supplier or
21 they will remain with the Company for a total of
22 12 months, but also my surrebuttal -- we agreed

1 to waive the 12-month stay --

2 Q. If the enrollment limits are reached?

3 A. -- are reached.

4 Q. Would the Company agree to work with the
5 Commission Staff and other interested suppliers
6 in the content of this notification to customers?

7 A. Yes.

8 Q. Is the Company proposing to provide SVT
9 suppliers with a list of customers who are
10 ineligible for the Choices For You Program as a
11 result of returning to bundled service after the
12 expiration of the grace period?

13 A. At this time the Company's not -- would
14 not do that.

15 Q. Will the Company be maintaining a list of
16 customers who are ineligible for the Choices For
17 You Program as a result of returning to bundled
18 service after not selecting a new supplier during
19 the grace period?

20 A. I don't know that we would printout a
21 list, but the system will recognize a customer as
22 being ineligible if a supplier attempts to enroll

1 them.

2 Q. Do you have any idea how the system will
3 generate lists? Will these, for example, be
4 generated each month, each day?

5 A. As I mentioned I don't think we'll
6 generate a list unless it's requested. The
7 system will know which customers are eligible and
8 which ones are not.

9 JUDGE ZABAN: I think the question that
10 Mr. Fein wants to know, is the system updated
11 daily, weekly?

12 THE WITNESS: Oh, yes. Every night it's
13 updated.

14 BY MR. FEIN:

15 Q. And will this information just be held in
16 the Company's regular customer information
17 system -- billing system?

18 A. Yes.

19 Q. Along with other information for a
20 customer like their address -- billing address,
21 customer name, meter number, that type of
22 information?

1 A. Yes.

2 Q. Are you aware that residential choice
3 programs and other jurisdictions do not contain
4 minimum stay requirements?

5 A. Yes, but there are others that do.

6 Q. And, again, in your surrebuttal testimony,
7 you agree to waive the minimum stay requirement
8 until the enrollment levels are reached. Does
9 that apply during all three years of the program?

10 A. Yes, it would.

11 Q. In developing the 60-day grace period
12 which you described in your rebuttal testimony in
13 line 436 to 438 -- a reasonable amount of time
14 for a customer to evaluate the offers of other
15 suppliers and make a decision, you have not
16 presented here, in this case, any study or
17 analysis to make this determination; have you?

18 A. No. We did look at other Illinois
19 utilities including electric utilities.

20 Q. And I believe you discuss some of those in
21 your testimony?

22 A. In surrebuttal, yes.

1 Q. But you didn't present in this case any
2 kind of customer survey in support of your
3 statement that 60 days would be a reasonable
4 amount of time; have you?

5 A. No.

6 JUDGE ZABAN: Excuse me. Am I correct in
7 assuming that the people who are subject to the
8 60-day notice had previously been in the program,
9 they would have -- therefore have some
10 familiarity with how the program works?

11 THE WITNESS: Yes.

12 BY MR. FEIN:

13 Q. How would they be aware -- just by fact
14 that they have enrolled at one time?

15 A. They would be familiar with the enrollment
16 process and contacting suppliers or supplier list
17 and if they participated in the program before.

18 Q. When you say "before" what do you mean by
19 before?

20 A. Well, the 60-day only applies to somebody
21 who's been in the program, terminates from the
22 program and comes back to bundled service. So

1 obviously, they've had some experience within the
2 program.

3 Q. And these would be the same customers that
4 I believe you describe in your testimony as
5 relatively less sophisticated energy consumers?

6 A. Yes.

7 Q. Is there any notice requirement for a
8 customer to provide to the Company -- to indicate
9 their intent to participate in the program once
10 the order is entered in this case and the tariffs
11 are affected?

12 A. The customer doesn't notify the Company if
13 they're interested in participating, no.

14 Q. The supplier would?

15 A. Oh, the supplier. The supplier would
16 notify us, yes.

17 Q. Does the supplier have to provide notice
18 in a certain amount of days before that --
19 customers are able to take service under the
20 program with that supplier?

21 A. Yes. When they enroll the customer, the
22 customer would begin seven -- the next bill to

1 date assuming that it's eight business days after
2 the date of requested enrollment. So there's at
3 least a minimum of eight days between enrollment
4 and when it starts.

5 JUDGE ZABAN: I have a quick question, then.
6 How -- let's say you have your 75,000 and you
7 have six suppliers how -- how does that 75,000 --
8 if you look at -- divided amongst the suppliers?
9 In other words, is it just everybody gets to sign
10 up and when they hit 75 it's done?

11 THE WITNESS: Yes.

12 JUDGE ZABAN: Or do you get -- based on their
13 capacity delivered, give them X amount of slots
14 to fill?

15 THE WITNESS: No. It's the first come, first
16 served. So as suppliers enroll customers -- the
17 enrollment level will increase. So out of the
18 six, you know, three of them could have the
19 majority and the other three would have the
20 lower -- it's not going to be divided evenly and
21 it would just be based on their efforts to enroll
22 customers --

1 JUDGE ZABAN: On their willingness and
2 aggressiveness to enroll customers?

3 THE WITNESS: Exactly.

4 BY MR. FEIN:

5 Q. In either of your three pieces of
6 testimony, you did not present any study or
7 analysis regarding the feasibility of offering a
8 competitive default service, have you?

9 A. No.

10 Q. You do not present a study or analysis
11 regarding the desirability to potential suppliers
12 of offering a competitive default service, did
13 you?

14 A. No.

15 Q. And you did not present any study or
16 analysis regarding any costs associated with
17 offering a competitive default service, is that
18 correct?

19 A. That's correct.

20 Q. Now, the Company supports customers having
21 a choice, is that correct?

22 A. Yes.

1 Q. And in your testimony you have not
2 presented any study regarding why customers
3 returning to bundled service after terminating
4 participation in the program should not be given
5 choice to return to the Company versus a
6 competitive default service provider, is that
7 correct?

8 A. That's correct.

9 Q. Now, I'd like to ask you some questions on
10 billing issues.

11 A. Okay.

12 Q. Would you agree that the primary
13 beneficiary of a consolidated bill would be the
14 customer?

15 A. Yes.

16 Q. Would you agree that under single billing
17 a customer is able to receive one bill from a
18 single entity?

19 A. Yes.

20 Q. A customer only has to write one check for
21 its natural gas service for example?

22 A. Yes.

1 Q. Does the Company view the ability to
2 provide single billing service as a value added
3 service in a marketing tool?

4 A. Yes.

5 Q. Does the Company believe that the ability
6 to provide single billing service assists any
7 supplier in building a relationship with a
8 customer?

9 A. In the same way it would the Company, yes.

10 Q. The bill's a regular point of contact with
11 a customer?

12 A. Yes.

13 Q. The bill's a communication tool?

14 A. Yes.

15 Q. And I'm sure the Company sees value in
16 continuing to send its bills to customers rather
17 than having a third party send the bill?

18 A. Yes.

19 Q. The Company values its relationship with
20 its customers, correct?

21 A. Yes.

22 Q. And wouldn't you also believe that SVT

1 suppliers would value the relationships that they
2 have with their customers as well?

3 A. Yes.

4 Q. In under single billing, would you also
5 agree that there is the potential that a customer
6 may be able to receive one bill if the customer
7 were purchasing both natural gas and electric
8 service from a single source?

9 A. That would be possible, yes.

10 Q. Are you also aware that in creating the
11 frame work for a competitive market in the
12 electric industry in Illinois, that the Illinois
13 General Assembly required each electric utility
14 to offer single billing service?

15 A. Yes.

16 Q. Isn't it also correct that during the time
17 that the Choices For You Program has been in
18 existence that suppliers have expressed interest
19 to the Company in being the party who issues
20 single bills?

21 A. Yes.

22 Q. On Page 13 of your surrebuttal testimony,

1 line 269, you state that Peoples has a right to
2 bill its customers. Do you see that?

3 A. Yes.

4 Q. What is the basis for this statement?

5 A. Well, the Company has -- as we mentioned,
6 the Company has a relationship with the customer.
7 The customer is still the Company's customer just
8 as it would be the suppliers.

9 Q. So in making that statement, you weren't
10 operating under advice of counsel regarding a
11 right that the Company has or anything along
12 those lines?

13 A. No.

14 Q. Is it the Company's position that the
15 Commission does not have the authority to order
16 Peoples to allow single billing by SVT suppliers?

17 MS. KLYASHEFF: Objection, I think that calls
18 for a legal conclusion.

19 JUDGE ZABAN: Sustained.

20 BY MR. FEIN:

21 Q. Have you been advised by counsel whether
22 it's the Company's position that the Commission

1 does not have the authority to order Peoples to
2 allow single billing by SVT suppliers?

3 MS. KLYASHEFF: Objection, that would involve
4 a privileged communication with the client.

5 JUDGE SHOWTIS: Objection is sustained.

6 BY MR. FEIN:

7 Q. So you -- the statement on line 269 of
8 your surrebuttal testimony, the right that you
9 referred to is the right that you believe the
10 Company has due to the fact that it has a
11 relationship with the customer in that, even a
12 customer participating in the program, the
13 Company's providing distribution service to?

14 A. Yes.

15 Q. Does the Company have experience with
16 single billing under any other of its rates and
17 riders?

18 A. No.

19 Q. Do any sales customers of the Company
20 receive a single bill to your knowledge?

21 A. Any sales customer receive a single bill
22 for -- yes, they receive a single bill for

1 distribution of commodity.

2 Q. From the Company?

3 A. Yes.

4 Q. What about under -- do customers -- do
5 sales customers of the Company have entities
6 other than the Company receive their natural gas
7 bills?

8 A. Phone customers do.

9 Q. And do those customers have those bills
10 sent to billing agents or other suppliers?

11 A. Under the large volume transportation
12 program, yes.

13 Q. Has the Company experienced any
14 significant problems as a result of allowing
15 these customers to receive bills from entities
16 other than your Company that you're aware of?

17 A. That I'm aware of, no.

18 Q. Do you have any idea how many actual
19 customers receive a single bill that you just
20 referenced?

21 A. That was in the data request. I'd have to
22 look it up to see. Do you want me to do that?

1 Q. Sure.

2 A. For Peoples Gas -- approximately -- the
3 Peoples Gas, approximately 70 percent of the
4 large volume transportation customers have
5 another party receive their bill, supplier or an
6 agent.

7 Do you want North Shore as well?

8 Q. Sure.

9 JUDGE ZABAN: Mr. Fein, I have a question for
10 your purposes and the purposes of this
11 cross-examination.

12 Is it your position that large volume
13 customers in terms of their -- are the same as
14 individual customers for the purposes of billing?

15 MR. FEIN: If you could rephrase your
16 question --

17 JUDGE ZABAN: Do I hear an objection?

18 MR. FEIN: -- objection to the ALJs?

19 JUDGE SHOWTIS: Sustained.

20 JUDGE ZABAN: No. My question is, you're
21 asking questions about large volume customers.

22 MR. FEIN: That's correct.

1 JUDGE ZABAN: Is there a correlation between
2 large volume customers and individual customers
3 that would make this testimony relevant?

4 MR. FEIN: The relevance is the experience
5 that the Company has experienced with other
6 groups of customers in accommodating single
7 billing. That's the relevance of this line of
8 questioning.

9 JUDGE ZABAN: So the issue is whether or not
10 it can be done, is that correct?

11 MR. FEIN: Yes.

12 JUDGE ZABAN: Okay. Go ahead.

13 THE WITNESS: Approximately 71 percent of
14 North Shore large volume transportation customers
15 receive a bill from -- have their bill sent to an
16 agent or a supplier.

17 BY MR. FEIN:

18 Q. Now, if I understand your testimony it's
19 your position that the customer, not a supplier
20 should be the party that decides whether it
21 desires to receive a single bill; is that
22 correct?

1 A. Yes.

2 Q. And is the Company opposed to allowing a
3 supplier to include, as part of its offer to a
4 potential customer, the ability to receive a
5 single bill from that supplier?

6 A. We're not opposed to that, but we would
7 like the supplier to also indicate that the
8 utility has the ability to send them a single
9 bill as well.

10 Q. Isn't it possible that as a result of
11 choosing a small volume transportation supplier
12 to provide its natural gas service that that
13 customer may also prefer that that same supplier
14 provide them with a single bill?

15 A. It's not an automatic assumption you could
16 make.

17 Q. No, the question asked is whether it was
18 possible?

19 A. Yes.

20 Q. And would you agree that some customers
21 may desire to have a single bill come from an SVT
22 supplier?

1 A. Yes.

2 Q. From the Company's perspective and all
3 else being equal on the question of billing, what
4 is more important, what Peoples wants or what its
5 customers want?

6 A. What the customer wants.

7 Q. And is it correct that the -- one of the
8 reasons that the Company -- for the Company's
9 opposition to allowing a small volume
10 transportation supplier to issue a single bill
11 was this customer survey that the Company had
12 conducted?

13 A. Yes.

14 Q. Now, prior to conducting your customer
15 survey, did the Company believe that customers
16 wanted to receive a single bill from suppliers
17 rather than from Peoples Gas?

18 A. Could you repeat the question.

19 Q. Sure. Prior to conducting the survey, did
20 the Company believe that customers wanted to
21 receive a single bill from a supplier other than
22 Peoples Gas? If you know.

1 A. I don't know. I wasn't -- I don't know.

2 Q. Were you involved at all in the survey?

3 A. No.

4 Q. The Company -- Peoples Gas hired another
5 Company to conduct the survey, is that correct?

6 A. I believe so. I wasn't here at the time
7 of the survey.

8 Q. And is it correct that the survey was
9 conducted without the oversight of the Illinois
10 Commerce Commission Staff?

11 A. I assume so, I don't know.

12 Q. The survey that was developed by the
13 Company was not developed after input from The
14 New Power Company, for example?

15 A. I assume without, yes.

16 Q. Do you know who paid for the survey to the
17 done?

18 A. I assume the Company did.

19 Q. Do you also assume that the Company, or
20 the Company hired by Peoples Gas developed the
21 actual questions that were contained in the
22 survey?

1 A. Yes.

2 JUDGE ZABAN: Mr. Fein, if she doesn't know,
3 okay, you realize that everything she assumes is
4 not relevant and can't be considered as evidence
5 and although Ms. Klyasheff is giving you some
6 latitude on this, I think you need to question
7 the witness about what the witness knows.

8 MR. FEIN: Well, if the witness doesn't know
9 about the surveys then I think the portions of
10 her testimony that relied upon the customer
11 survey for the position she's espousing in her
12 testimony should be stricken from her testimony.

13 MS. KLYASHEFF: The witness can state that the
14 survey found particular results. The fact that
15 the witness was not employed by Peoples Gas at
16 the time the survey was conducted and does not
17 know the particulars of it does not detract from
18 her flat statement in her testimony that the
19 survey showed certain results.

20 JUDGE ZABAN: I think --

21 BY MR. FEIN:

22 Q. Let me ask this and I think I can clear

1 this up. Have you read the survey that was
2 conducted by the Company?

3 A. Yes.

4 Q. Have you read every page in that survey?
5 Do you know the questions that were asked in the
6 survey?

7 A. No, not by heart.

8 Q. Have you reviewed the -- did you review
9 the survey in preparing your testimony in this
10 case?

11 A. The survey results, yes.

12 Q. So you just read the results and no other
13 particulars of the survey?

14 A. Yes.

15 Q. Do you know this much about the survey:
16 Do you know whether any of the participants in
17 the survey were -- at the time the survey was
18 conducted provided with a single bill from any
19 supplier other than Peoples Gas?

20 A. No, they were not.

21 Q. And I believe you stated in your testimony
22 that you would allow another party, such as the

1 Illinois Commerce Commission, to conduct a survey
2 of Peoples residential customers to ascertain
3 whether they prefer to receive a single bill; is
4 that correct?

5 A. That was on the data request, not in my
6 testimony, yes.

7 Q. And I agree -- and is it true also, that
8 you indicated that the Company, however, would
9 not pay for such a survey; is that correct?

10 A. Correct.

11 Q. Would it be fair to say that the Company
12 would only desire to pay for a survey that the
13 Company designs or conducts or contracts to have
14 conducted?

15 A. Yes.

16 Q. On lines 282 to 284 of your surrebuttal
17 testimony, you discuss the opportunity to market
18 the single billing option. Do you see that
19 reference in your testimony?

20 A. Yes.

21 Q. How many Rate 1 customers are currently
22 taking service from an SVT supplier?

1 A. None.

2 Q. All Rate 1 customers are currently taking
3 service from Peoples Gas, is that correct?

4 A. Yes.

5 Q. Would you agree that SVT suppliers should
6 be allowed to communicate with potential
7 customers regarding the Choices For You Program?

8 A. Yes.

9 Q. Would you agree that SVT suppliers should
10 be allowed to communicate with customers that
11 have chosen to receive natural gas service from
12 those SVT suppliers?

13 A. Yes.

14 Q. Do you agree that SVT suppliers should be
15 provided with the ability to market its products
16 and services directly to potential customers?

17 A. Yes.

18 Q. Do you agree that SVT suppliers should be
19 allowed to educate the customers that they are
20 supplying with natural gas service under the
21 program?

22 A. Yes.

1 Q. Is the Company opposed to allowing SVT
2 suppliers to determine the specific manner in
3 which the supplier desires to bill its customers?

4 A. Well, the Company -- could you repeat the
5 question, please.

6 Q. Sure. Is the Company opposed to allowing
7 SVT suppliers to determine the specific manner in
8 which that specific SVT supplier desires to bill
9 its customers?

10 A. The reason the Company proposed Rider SBO
11 is to provide customers some protections so, I
12 guess, we feel that the suppliers should have
13 some guidelines to follow and how to bill their
14 customers.

15 Q. If an SVT supplier includes a provision in
16 its contract that the customer agrees to take
17 single billing service from the SVT supplier
18 pursuant to the Company's approved Rider SBO , is
19 the customer forced to sign that contract?

20 A. No, they're not forced to.

21 Q. Is there anything that forces a customer
22 to select a specific marketer's products and

1 services?

2 A. No.

3 Q. So if a marketer, as part of its products
4 and services, provides single billing service and
5 the customer signs that contract it would be the
6 customers choice to select that marketer; is that
7 correct?

8 A. Yes.

9 Q. Now, wouldn't you expect that any customer
10 education program that is developed during the
11 course of the implementation of the Choices For
12 You Program would include information for all
13 customers regarding billing options?

14 A. Yes.

15 Q. Does Peoples Gas see itself as directly
16 competing with SVT suppliers?

17 A. In what respect?

18 Q. In respect to the Choices For You Program.

19 A. Not for commodity, no.

20 Q. Who pays for Peoples billing system?

21 A. The customer.

22 Q. Should a customer who isn't using Peoples

1 Gas' billing system have to pay for it?

2 A. Regardless if the supplier is doing
3 billing, the customer is still going to be
4 utilizing the Company's billing system.

5 Q. Now, if SVT suppliers are allowed to issue
6 single bills, Peoples will still bill customers
7 who do not enroll in the Choices For You Program,
8 correct?

9 A. Correct.

10 Q. If SVT suppliers are allowed to issue
11 single bills, Peoples will still bill at least 91
12 percent of its customers that are not eligible
13 for the Choices For You Program in the first year
14 of the program; is that correct?

15 A. Right.

16 Q. If SVT suppliers are allowed to issue
17 single bills, Peoples will still bill at least 83
18 to 84 percent of its customers that are not
19 eligible for the Choices For You Program in the
20 second year of the program; is that correct?

21 A. Correct.

22 Q. And if SVT suppliers are allowed to issue

1 single bills, Peoples still will bill at least 76
2 percent of its customers that are not eligible
3 for the Choices For You Program in the third year
4 of the program; is that correct?

5 A. Yes.

6 Q. Isn't it also correct that Peoples still
7 will bill customers if an SVT supplier elects to
8 utilize the LDC billing option under the Choices
9 For You Program?

10 A. Yes.

11 Q. Isn't it also correct that Peoples still
12 will bill customers that enroll in the Choices
13 For You Program but elect to receive dual bills,
14 one from the Company and one from the SVT
15 supplier?

16 A. Yes.

17 Q. And if SVT suppliers are allowed to issue
18 single bills, Peoples still will bill customers
19 if they terminate service with their SVT supplier
20 and return to bundled service?

21 A. Yes.

22 Q. Does the Company believe that it can

1 provide its customers with a single bill more
2 efficiently and less costly than SVT suppliers?

3 A. Well, we definitely have experience with
4 providing the bundled bill and billing
5 distribution services. I'm not familiar with
6 other suppliers billing systems, I don't know
7 that I can answer.

8 Q. The Company has not proposed a single
9 billing credit in this proceeding has it?

10 A. No.

11 Q. Is the Company unable to calculate the
12 single billing credit?

13 A. At this time, yes.

14 Q. Now, on Pages 19 to 20 of your surrebuttal
15 you list the number of reasons why you believe
16 that the Company will not realize any savings if
17 the supplier issues a single bill; is that
18 correct?

19 A. Yes.

20 Q. Now, you have not presented at this time
21 any study or analysis to support that claim other
22 than those reasons you list on those pages of

1 your testimony, is that correct?

2 A. Correct.

3 Q. You have not presented any detailed cost
4 analysis to support that portion of your
5 testimony, is that correct?

6 A. Correct.

7 Q. You have not submitted any information for
8 the Commission and the parties to this proceeding
9 to review regarding the costs of Peoples' billing
10 services; is that correct?

11 A. Correct.

12 Q. Are you aware that the use of -- strike
13 that.

14 Are you aware that in the Illinois
15 electric industry that electric utilities have
16 filed single billing credits as a provision of
17 their single billing service?

18 A. I'm -- generally, yes, I'm aware of that.

19 Q. On line 313 of your surrebuttal testimony,
20 you discuss the proposal regarding a 5-day
21 payment remittance period. Do you see the answer
22 you give beginning on line 313?

1 A. Yes.

2 Q. With respect to the further hardship that
3 you referenced, you have not quantified this
4 assertive further hardship in your testimony;
5 have you?

6 A. We have not quantified it, no.

7 Q. Now, with respect to the payment
8 assurance, if I understand your testimony, the
9 Company has agreed to Ms. Merola's suggestion
10 that the performance assurance under Rider SBO
11 should be based upon a good faith estimate of the
12 SVT suppliers obligation; is that correct?

13 A. Yes.

14 Q. However, the Company wants to be the party
15 to determine this good faith estimate; is that
16 correct?

17 A. Correct.

18 Q. In your testimony -- in your surrebuttal
19 testimony, you do not explain how this will be
20 calculated; do you?

21 A. No.

22 Q. Are you aware that in the electric

1 industry in Illinois, the Commission has adopted
2 this identical provision for use under the SBO
3 tariffs of Illinois electric utilities?

4 A. Yes.

5 Q. Is the Company opposed to individually
6 reaching an agreement with any SVT suppliers
7 regarding the process and manner in which data is
8 submitted electronically?

9 A. We do currently get input from suppliers
10 about the electronic transmission process that we
11 currently use in enrollment and the LDC billing
12 option, so we do take input, but it does need to
13 be consistent across all suppliers.

14 Q. Have you presented in this proceeding any
15 survey or analysis regarding the potential for
16 customer confusion if a final bill is issued
17 prior to a customer beginning service under the
18 Choices For You Program?

19 A. No.

20 Q. Do you know approximately how many Rate 1
21 bundled service customers currently maintain past
22 due balances?

1 A. I don't know.

2 Q. Do you know how many Rate 2 customers had
3 past due balances for bundled service at the time
4 they began service under the Choices For You
5 Program?

6 A. I don't know.

7 Q. Does the Company have procedures for
8 collection of past due balances?

9 A. Yes.

10 Q. Does the Company utilize outside
11 contractors for this function?

12 A. Eventually, yes.

13 Q. Do you know how many accounts the Company
14 has disconnected for non payment of bundled
15 service charges after switching to the Choices
16 For You Program?

17 A. I don't know.

18 JUDGE SHOWTIS: Off the record for a second.

19 (Discussion off the record.)

20 BY MR. FEIN:

21 Q. Are you aware of how many accounts of
22 dispute -- how many accounts have disputed, if

1 any, their outstanding bundled service balances
2 after switching to the Choices For You Program?

3 A. I don't know.

4 Q. Does the Company maintain a list of the
5 customers that have balances due for bundled
6 service charges?

7 A. There would -- that information is in our
8 customer information system.

9 Q. Have you proposed any process by which an
10 SVT supplier could obtain this information with
11 respect to past due balances of the bundled
12 service customers?

13 A. It is not the Company's position to give
14 that information out to suppliers.

15 JUDGE ZABAN: Excuse me, Mr. Fein. If the
16 Company has the information on who has past due
17 amounts and the person signs up for the Choices
18 Program and they have a past due amount, will the
19 Company attempt to collect that past due amount
20 before they allow them into the Choices Program?

21 THE WITNESS: No.

22 JUDGE ZABAN: So people won't be rejected

1 merely because they have a past due amount at the
2 Company, is that correct?

3 THE WITNESS: Right.

4 BY MR. FEIN:

5 Q. I believe that the alternative proposal
6 that you provided in your surrebuttal testimony
7 says the exact opposite of the same answer you
8 just gave to Judge Zaban.

9 A. No. We're still -- in the alternative
10 proposal that I put in my surrebuttal testimony,
11 would still allow a customer to enroll in the
12 program but they would not be allowed to use the
13 suppliers in the billing option.

14 Q. And the supplier would not know that this
15 customer has an outstanding bundled service
16 balance until when? How would the supplier be
17 notified of that?

18 A. They'd be notified at the time enrollment
19 was accepted.

20 Q. So the supplier submits an enrollment for
21 a customer; on that enrollment, the customer
22 elects to receive single billing service from the

1 supplier; that's submitted in enrollment; and
2 then what happens if that customer has an
3 outstanding bundled balance?

4 A. Overnight it's processed. We would notify
5 the supplier the next morning that the enrollment
6 was accepted, but that they would need to be
7 billed by either dual billing or LEC billing
8 options or whatever the supplier chooses.

9 Q. Would it provide any other information
10 regarding this past due amount?

11 A. We would not give out the amount that is
12 past due, no.

13 Q. Would you adopt the same policy if the
14 customer was disputing that amount?

15 A. We could -- I would assume that if it was
16 under dispute we might have a different -- you
17 know, may not restrict them from suppliers, I'm
18 not sure. We haven't discussed that yet.

19 Q. In other words, this hasn't been
20 completely worked out yet?

21 A. Right. Disputed ...

22 MR. FEIN: It's a good time to take a break.

1 JUDGE SHOWTIS: We'll break until 11:20 and
2 then -- when -- we'll proceed for maybe
3 approximately an hour or so and try to break at a
4 somewhat normal time for lunch.

5 (Recess taken.)

6 JUDGE SHOWTIS: You may continue, Mr. Fein,
7 with your cross-examination.

8 MR. FEIN: Thank you, Judge.

9 BY MR. FEIN:

10 Q. I wanted to ask you now some questions
11 regarding the Company's LDC billing option.

12 A. Okay.

13 Q. As I understand your surrebuttal testimony
14 under the LDC billing option, the people --
15 Peoples will not include the SVT suppliers logo
16 on the bills that they issue, correct?

17 A. Correct.

18 Q. And you also discuss in your surrebuttal
19 testimony the ability of the Company to send
20 daily remittances of payments and I think you
21 indicate that that's -- you plan to do that, but
22 your testimony is silent on when, exactly, you

1 plan to offer that?

2 A. Well, in my testimony I do say we will do
3 it before the implementation of Rider SBO if
4 that's required of us -- regardless, we are going
5 to move to daily. We're in discussions --
6 internal discussions right now to move that
7 process ahead.

8 Q. Under the LDC billing option, how many
9 rate codes would the Company allow SVT suppliers
10 to utilize?

11 A. Currently under LDC billing options, a
12 supplier create up to 10 charge line
13 descriptions. They can display up to 7 lines on
14 a customer's bill.

15 Q. So if I understand your answer, are there
16 no limitations on the different types of rate
17 codes that any one supplier could use under this
18 option?

19 A. There's no limit in the type, but there's
20 a limit in the number.

21 Q. On any one bill?

22 A. Well, there's a limit. You can only have

1 up to 10 even distinguished. In other words, the
2 suppliers will send to us the charge line
3 description that they'd like displayed on the
4 bill and they can give us up to 10 of those and
5 we put those into our customer information system
6 and the supplier can draw upon any of those 7 for
7 any customer on any bill.

8 Q. How often can SVT suppliers change the
9 rate codes under the LDC billing option?

10 A. As often as they'd like, although, we
11 would need some notice to make that change.

12 Q. Do you have any idea as you sit here
13 today, you know, how much notice you would need
14 to make changes?

15 A. Currently, I would say at least one week.

16 Q. So, for example, if a supplier offers a
17 variable product, variable rate product, can the
18 supplier change their rate code each month under
19 the LDC billing option?

20 A. Yes.

21 Q. I'm going to ask you one other billing
22 question. When you discussed on Pages 19 to 20

1 of your surrebuttal testimony the reasons why you
2 believe that the Company will not realize any
3 savings if a supplier issues a single bill,
4 wouldn't one option to reduce or eliminate the
5 imposition of costs be to enter into a
6 receivables agreement with an SVT supplier?

7 A. It could reduce some of the costs but not
8 all of them.

9 Q. Could reduced costs relate to credit and
10 collection, for example?

11 A. Yes.

12 Q. If you could turn to the lines 130 to 139
13 of your rebuttal testimony where you discuss
14 imbalances. On those lines you discuss Nicor
15 Gas' over and under delivery charges, is that
16 correct?

17 A. Yes.

18 Q. And it is correct that the Company does
19 not possess any specific information or details
20 regarding specific instances under the Customer
21 Select Program of Nicor where the over and under
22 delivery charges have failed to deter SVT

1 suppliers from non performance; correct?

2 A. Correct.

3 Q. If there is a question regarding the
4 Company's calculated consumption that is used for
5 billing, would Peoples allow an SVT supplier to
6 audit the consumption figures?

7 A. I believe that was also in the data
8 request. I don't know what the supplier would
9 audit. I mean, the way we would estimate
10 consumption for the Choices For You Program, SVT,
11 would be the same as we estimate for the bundled
12 service.

13 Q. And you use historical consumption
14 figures?

15 A. No. We use heat factors and base factors
16 as well as actual degree days or forecasted
17 degree days.

18 Q. And is it correct that at this time the
19 Company is not specifically identified or
20 quantified by time and cost the additional
21 programming that would be required to implement a
22 weighted average daily cash out price?

1 A. True. Correct.

2 Q. The tiering of charges that you discuss on
3 lines 87, I believe, to 89, you discuss some of
4 Mr. Iannello's criticisms regarding the tiering
5 of charges. Do you see that?

6 A. Yes.

7 Q. Now, these apply -- these charges apply
8 even -- they apply equally whether there is an
9 over delivery or under delivery by an SVT
10 supplier; is that correct?

11 A. Yes.

12 Q. And these charges apply even if an over
13 delivery benefits the safe and reliable operation
14 of the distribution system as a whole?

15 A. Yes. Yes. And all this, I assume, you
16 mean on a non-critical day?

17 Q. That's correct.

18 On lines 294 through 296 of your
19 surrebuttal testimony you indicate that it's
20 difficult to distinguish assets that are used for
21 balancing. Do you recall that testimony?

22 A. Yes.

1 Q. You have not presented any analysis or
2 study regarding these assets in this proceeding
3 have you, other than that statement on those
4 lines of your testimony?

5 A. I haven't, no.

6 Q. And on lines 403 to 404 of your
7 surrebuttal testimony you indicate that the
8 structure of the daily imbalance charges are
9 similar to the daily imbalance charges set by
10 Interstate Pipelines, do you recall that
11 testimony?

12 A. Yes.

13 Q. Can Interstate Pipelines force Peoples Gas
14 to purchase storage on the pipeline system?

15 A. No.

16 Q. Does the Federal Energy Regulatory
17 Commission require Peoples Gas to purchase
18 storage on the Interstate Pipeline System?

19 A. No.

20 Q. Does the Company have any other rates or
21 riders under which third-party suppliers nominate
22 gas supplies on behalf of pools?

1 A. Yes.

2 Q. Which rates and riders are those?

3 A. Riders FST, SST, and LST.

4 Q. And under those three riders, do
5 third-party suppliers have the option of trading
6 imbalances when gas supply nominations differ
7 from actual usage?

8 A. I believe -- yes, they do.

9 Q. And the Company has operational functions
10 and administrative functions that are set up to
11 accommodate this imbalanced trading, is that
12 correct?

13 A. Yes.

14 Q. And in your testimony in this case you
15 have not presented any analysis or study of costs
16 that would be imposed upon the Company with
17 providing SVT suppliers the ability to trade
18 imbalances under the Choices For You Program, is
19 that correct?

20 A. Correct.

21 Q. Now, with respect to the required daily
22 delivery quantity, could an LDC using the

1 algorithm to determine the required daily
2 delivery quantity artificially inflate the
3 forecast during the winter months? Is that
4 possible?

5 A. No.

6 Q. If an LDC artificially inflated the
7 required daily delivery quantity, would that
8 force suppliers to over deliver?

9 A. If a utility did that, I suppose so, yes.

10 Q. If that occurred will an LDC benefit
11 financially?

12 A. I don't know. I would assume it would
13 depend.

14 Q. On the charges?

15 A. On the market conditions...

16 Q. Are you aware that Columbia of Ohio has a
17 daily send out curb that's based on the weather
18 forecast and the utility algorithm for suppliers
19 to deliver that are subject to change each day?

20 A. No.

21 Q. On lines 203 to 285 of your surrebuttal
22 testimony you indicate that costs for additional

1 storage days are recovered from SVT suppliers, do
2 you recall giving that testimony?

3 A. Yes.

4 Q. Is this is service that SVT suppliers have
5 asked for?

6 A. Excuse me, did you say surrebuttal or
7 rebuttal?

8 Q. I think I said surrebuttal.

9 MR. KELTER: I think you're mixing surrebuttal
10 with rebuttal.

11 THE WITNESS: It's indirect.

12 MR. KELTER: I'm sorry, did you say it's
13 indirect?

14 THE WITNESS: Indirectly I do talk about the
15 storage days and the costs around lines 282 and
16 beyond, is that what you were referring to?

17 BY MR. FEIN:

18 Q. Yes, I'm sorry. Now, is this storage
19 service a service that SVT suppliers have asked
20 the Company to offer?

21 A. Have asked them to what?

22 Q. Is this a service that SVT suppliers have

1 asked, the Company to offer as part of this
2 program?

3 A. Suppliers have asked for more storage than
4 the current program provides.

5 Q. And who are these suppliers that have
6 asked for those services?

7 A. The participating suppliers.

8 Q. All of them?

9 A. I don't believe all of them specifically
10 asked for it.

11 Q. And when did they ask for it?

12 A. Throughout their participation with the
13 program over the years.

14 JUDGE ZABAN: Are these written requests or
15 oral requests?

16 THE WITNESS: Oral requests. I don't have
17 anything in writing.

18 BY MR. FEIN:

19 Q. Has The New Power Company asked for these
20 services?

21 A. No.

22 Q. Has Dominion Retail asked for these

1 services?

2 A. No.

3 Q. What if a marketer doesn't need or doesn't
4 want this additional storage, are they required
5 to pay for this storage under the program?

6 A. Yes.

7 Q. Do Rate 1 customers currently pay for
8 storage through their base rates under bundled
9 service?

10 A. Yes.

11 Q. And if a customer selected an SVT supplier
12 that has access to its own storage, this customer
13 would be required to pay twice for storage
14 service; isn't that correct?

15 A. Yes.

16 Q. I believe the total customer education
17 costs that the Company is seeking to recover
18 under its tariffs in this proceeding are
19 approximately \$1.3 million, is that correct?

20 A. That sounds correct.

21 Q. This \$1.3 million in customer education
22 costs, would this only be imposed upon customers

1 who enroll in the program?

2 A. Actually, it would be recovered through
3 charges charged to suppliers.

4 Q. And won't customer education materials be
5 sent out to all Rate 1 customers?

6 A. Yes.

7 Q. Will these materials be designed by the
8 Company?

9 A. Yes.

10 Q. Will these materials be designed with
11 input from SVT suppliers?

12 A. There could be input from suppliers.

13 Q. Would you agree to receive input from
14 suppliers on these customer education costs that
15 you seek to recover from these SVT suppliers?

16 A. In the educational materials?

17 Q. Yes.

18 A. Yes.

19 JUDGE ZABAN: More important, would you
20 consider the input?

21 THE WITNESS: We do consider input from
22 suppliers, yes.

1 BY MR. FEIN:

2 Q. Would you agree not to impose these
3 charges on SVT suppliers if you did not agree
4 with some of the suggestions for revisions that
5 the suppliers do?

6 A. No.

7 Q. I didn't think so.

8 Earlier in your testimony you discussed
9 some -- in your oral testimony here today you
10 mentioned that some Choice Programs that you are
11 familiar with had minimum stay requirements. Do
12 you remember that answer?

13 A. Yes.

14 Q. And what programs were you referring to?

15 A. Well, for example, Northern Indiana Public
16 Service Company.

17 Q. Were there any others that you had in mind
18 when you made that statement?

19 A. Not off the top of my head, no.

20 Q. Do you know how successful the NIPSCO
21 Program has been? Do you know how many customers
22 are participating?

1 A. I don't know currently how many are
2 participating.

3 MR. FEIN: No further cross.

4 JUDGE ZABAN: I have a couple questions about
5 Mr. Fein's cross for the purposes of continuity.

6 EXAMINATION

7 BY

8 JUDGE ZABAN:

9 Q. Ms. Egelhoff, you had indicated that you
10 determined that -- about -- you figured about 9
11 percent of the current users would be made part
12 of the Choice For You Program, is that correct,
13 initially?

14 A. Could be eligible.

15 Q. Could be eligible.

16 And that was based upon you -- I believe
17 you said you took into consideration the
18 suppliers, is that right?

19 A. The gas supply consideration.

20 Q. Now, does the gas supply consideration,
21 does that mean that based on your answers or your
22 dealings with the six couples that are currently

1 eligible that's all they could supply?

2 A. No. It's actually the Company's gas
3 supply consideration, you know, the assets that
4 we currently have under contract with pipelines
5 and suppliers and storage facilities. The
6 concern is stranded costs.

7 Q. But I'm -- but are the -- of the six
8 suppliers who are out there, are they currently
9 able to supply more than 9 percent of the people?

10 A. They could have, possibly.

11 Q. Okay. You indicated that in making this
12 determination when you had this workshop that
13 only three showed up and that three others -- you
14 sent them materials to, correct?

15 A. Yes.

16 Q. Of the three you sent materials to, how
17 many responded?

18 A. I actually followed up with them through
19 phone calls and asked if they had questions, so I
20 did talk to each of them.

21 Q. Okay. Did they provide you with any
22 additional input?

1 A. Not specifically input that I can recall,
2 no.

3 JUDGE ZABAN: That's the only questions I had
4 on that subject.

5 JUDGE SHOWTIS: I have a follow-up question.

6 EXAMINATION

7 BY

8 JUDGE SHOWTIS:

9 Q. With regard to the gas supply
10 considerations which were the driving force, I
11 assume behind the enrollment limits --

12 A. Mm-hmm.

13 Q. -- could you just briefly describe how you
14 took them into account. Did you perform some
15 kind of quantitative analysis and then came up
16 with the limits? In other words, if you were
17 going to have limits, obviously, there could be a
18 different number of customers that would be
19 eligible the first year, the second year and the
20 third year and I'm trying to understand how
21 precise you were in arriving at the figures for
22 enrollment during the first three years and

1 taking into consideration gas supply
2 considerations.

3 So just briefly describe how you took
4 that into account and how that lead you to the
5 limits that Peoples Gas is proposing.

6 A. Actually, I wasn't directly involved in
7 any of the analysis, but we did have discussions
8 with our gas supply department and gas supply
9 planning. I wouldn't be the best person to
10 answer that.

11 Q. Well, what department of Peoples Gas came
12 up with the limits then?

13 A. It was -- rates department as well as gas
14 supply department worked together, the gas supply
15 would -- they're the ones who take into account
16 the gas supply considerations to determine
17 what --

18 JUDGE ZABAN: Do you know if there was one
19 person who was in charge of this?

20 THE WITNESS: No, there was a group. There
21 was a group.

22 JUDGE ZABAN: Just so my edification is , so

1 based on the Company's capacity, the initial 9
2 percent was determined, is that correct? It had
3 nothing to do with what the suppliers could
4 provide.

5 THE WITNESS: Correct.

6 JUDGE ZABAN: What changes in the second year
7 that allows the Company to go from 9 percent to
8 16 percent.

9 THE WITNESS: I don't know the specifics, but
10 there would be -- probably some contracts that
11 would expire or something would change within our
12 gas supply or transportation contracts.

13 JUDGE ZABAN: If you don't know that's all
14 right.

15 THE WITNESS: I don't know the specifics.

16 JUDGE ZABAN: And then, supposedly something
17 else will happen -- so these are -- your capacity
18 to expand, then, is based upon contingencies; is
19 that correct.

20 A. Yes. To expand the enrollment you mean?

21 Q. Right.

22 A. Yes

1 BY JUDGE SHOWTIS:

2 Q. If I understand your testimony, the rates
3 department relied on some sort of an analysis --
4 did you say the planning -- what was the name?

5 A. Gas supply planning department.

6 Q. They relied on the analysis from the gas
7 supply --

8 A. Gas supply, right.

9 Q. -- I'm kind of anal retentive here, I
10 can't remember the name of the department, but
11 the department that takes into account gas supply
12 considerations, the rates department relied on
13 some sort of analysis --

14 A. Input from them.

15 Q. -- or input, but you're not -- you're not
16 aware, specifically, of what that input was?

17 A. Well, I'm not aware specifically on the
18 details of what they look at or consider .

19 JUDGE SHOWTIS: Okay. I have some other
20 questions, but I think I'll ask them after the
21 remaining cross since it doesn't pertain to this
22 issue.

1 Mr. Kelter I believe you said you had
2 two questions.

3 CROSS -EXAMINATION

4 BY

5 MR. KELTER:

6 Q. Yes. If you turn to Page 10 of your
7 direct testimony at the top of the page, line 195
8 and this is your testimony from 01-0469.

9 A. Okay.

10 Q. You layout here two proposals for how a
11 customer would be billed if they switched to an
12 SVT supplier, either they would get a bill from
13 the SVT supplier or under the LDC billing option
14 they would get a bill from Peoples that include
15 the SVT supplier charge; correct?

16 A. Correct. The first would be they'd
17 receive a separate bill from the supplier and a
18 separate by from the utility, yes --

19 Q. Right.

20 A. -- or a single bill from the utility.

21 Q. Now, if they choose Peoples Energy
22 Services as their supplier under that first

1 proposal, would they receive a separate bill from
2 Peoples Gas and a separate bill from Peoples
3 Energy Services?

4 A. Correct, yes.

5 Q. And they would come in separate envelopes?

6 A. Yes.

7 Q. Under the second, if they received one
8 bill under the LDC billing option, that would
9 also contain the Peoples Energy services charge
10 on the same bill as the Peoples Gas charge;
11 correct?

12 A. Just as any other supplier, yes.

13 Q. Under each -- well, under that -- under
14 the LDC option, would people make out two checks
15 or one check?

16 A. One check.

17 Q. And it would be made out to who?

18 A. Peoples Gas -- to Peoples Energy. I don't
19 write a check to them...

20 Q. Currently, it's my understanding that the
21 checks are -- if you're Peoples Gas Company, it's
22 my understanding that the checks are made out to

1 Peoples Energy, is that correct?

2 A. That's correct.

3 Q. So, under the LDC option, if someone was a
4 Peoples Energy Services customer, who would
5 the -- there would be one check made out to
6 Peoples Energy; is that correct?

7 A. Yes, just as it would under a bundled
8 service as well; not just because Peoples render
9 services -- charges...

10 MR. KELTER: Okay.

11 JUDGE SHOWTIS: Are you done?

12 MR. KELTER: Yes. Thank you.

13 JUDGE SHOWTIS: Mr. Munson?

14 MR. MUNSON: Thanks. Mr. Fein was pretty
15 comprehensive in a good way and --

16 MR. FEIN: I appreciate that.

17 CROSS-EXAMINATION

18 BY

19 MR. MUNSON:

20 Q. My name is Mike Munson. I'm representing
21 Dominion Retail for purposes of these questions
22 and I want to ask for your responses to both --

1 in regard to both cases and if there are any
2 differences, please state so.

3 A. Okay.

4 Q. A follow-up on the over and under delivery
5 imbalance charges, did you look to other
6 experiences in -- any other experiences in other
7 states to come up with those charges?

8 A. You mean the tiering?

9 Q. Yes.

10 A. Yes. Northern Indiana Public Service
11 Company in Indiana is one example as well as
12 Pipelines and how they structure their
13 imbalances.

14 Q. Did you look to Nicor Gas' Customer Select
15 Program?

16 A. No.

17 Q. Are you familiar with their -- strike
18 that.

19 Let me back up a second. Is it your
20 testimony that you did not look to Nicor Gas'
21 program to assist you in the construction of your
22 own program?

1 A. No. We did. I mean, we are familiar with
2 the Nicor Gas Program and we do take into account
3 their program if there's similarities that we can
4 use.

5 Q. Okay. But in the case of over and under
6 delivery imbalance charges, there are differences
7 between the two programs; is that correct?

8 A. As I stated in my testimony I don't
9 remember if it was rebuttal or surrebuttal, we
10 feel that Nicor Gas' imbalance structure, daily
11 imbalance structure, isn't enough to deter
12 suppliers from over and under delivery .

13 Q. I understand that that's what you feel my
14 question is -- I just want you to recognize that
15 there are differences.

16 A. Yes.

17 Q. And the differences -- which program do
18 you feel is more intolerant of delivery
19 imbalances?

20 A. You mean the way we've proposed it versus
21 the way Nicor Gas --

22 Q. Operates, yes.

1 A. -- operates. I would feel that the way we
2 propose it would be more intolerant.

3 Q. Okay. Concerning your Rider AGC or AGG?

4 A. AGG.

5 Q. AGG.

6 And I just -- I wanted to ask you a
7 couple of questions on that. Can you give me an
8 example of when the utility would be entitled to
9 interrupt or curtail the deliveries of SVT
10 suppliers?

11 A. I'm -- to be honest, I'm not as familiar
12 with that.

13 Q. Would Mr. Wear be more appropriate?

14 A. Yes.

15 Q. That's fine. I'll ask those questions for
16 Mr. Wear.

17 Am I to understand your testimony --
18 strike that.

19 Am I correct that when I state that the
20 Company prefers consolidated billing process
21 that's handled by the utility?

22 A. Yes.

1 Q. And would it be fair to say that the
2 process that was proposed by the Company is a
3 bill-ready system?

4 A. Yes.

5 Q. Now, am I correct if I state that under a
6 bill-ready system the function of that would be
7 the utility would transmit customer data to the
8 supplier, the supplier would calculate their
9 portion of the bill, submit it back to the
10 utility and the utility sends it to the customer?
11 Is that a fair statement?

12 A. Yes.

13 Q. Am I to understand your testimony that the
14 Company would not be opposed to implementing a
15 rate-ready billing protocol?

16 A. Well, if it was deemed that suppliers
17 would take advantage of it. I mean, we
18 haven't --

19 Q. Are you aware of any suppliers that would
20 like to see Peoples implement a rate-ready
21 billing protocol?

22 A. Just one.

1 Q. Would that supplier be Dominion?

2 A. Yes.

3 Q. Now, would you agree with me that the
4 suppliers that will be serving in Nicor's
5 Customer Select Program would -- are likely to be
6 the same suppliers that's served in Peoples
7 program?

8 A. I would most likely agree, yes.

9 MR. MUNSON: I have no further questions.

10 MS. HUIZENGA: I just have a couple.

11 CROSS-EXAMINATION

12 BY

13 MS. HUIZENGA:

14 Q. I'm looking at your Exhibit C which is
15 your rebuttal testimony. On Page 29 -- and I'm
16 sorry, I didn't introduce myself. I'm Karen
17 Huizenga from MidAmerican.

18 In here you talk about certain bill
19 inserts that a Company uses, I assume, for
20 bundled service from third parties, is that
21 correct, bill inserts from a third-party vendor
22 that apparently gets them from --

1 A. Yes, we do use a third-party vendor that
2 would allow third parties to include bill
3 inserts.

4 Q. Will you be doing this in the SBO option
5 that the Company is planning to offer? In other
6 words, will these bill inserts appear in a single
7 bill?

8 A. If the supplier issues the single bill?

9 Q. No, if the Company does, I'm sorry.

10 A. Oh, the LDC billing option?

11 Q. Yes.

12 A. No -- well, the Company -- in my
13 surrebuttal testimony, we agreed that we would
14 not require suppliers to include our bill inserts
15 in the SBO Rider.

16 However, we would also not include
17 supplier's bill inserts in our LDC billing option
18 or bundled bill.

19 Q. However, these, I believe, are third-party
20 advertisements. Can they be from anyone about
21 anything?

22 A. No. There were some guidelines. I don't

1 know the guidelines in particular, but one of
2 those is no SVT supplier has ever or -- currently
3 we have no plans to allow an SVT supplier to
4 place an advertisement in a bill issued by the
5 Company.

6 Q. Would you expect that the Company would
7 change their tariff if they were going to change
8 their mind on if they were willing -- allowing
9 the suppliers to put advertisements into bill
10 inserts under the Company option?

11 A. I don't think it would be necessary to
12 change the tariff.

13 Q. Okay. One question on Page 34 of the same
14 testimony -- this would be when you were
15 responding to the -- in regards to -- essentially
16 you told about some discussions with DECCA, the
17 Department of Commerce and Community Affairs, on
18 how you set up payments for lively payments.

19 A. Yes.

20 Q. Did you, at the time when the Company was
21 speaking with DECCA, explore the option of DECCA
22 actually sending payments separately or

1 sending -- or dividing the money so that certain
2 amounts would go to the utility and certain
3 amounts would go to the supplier?

4 A. I have not been involved -- I know there
5 have been discussions with DECCA separately from
6 this. I have not been involved in those
7 discussions.

8 Q. All you know is that they did agree to
9 this particular method, correct?

10 A. Yeah. They had tentatively agreed at the
11 time of this testimony. I don't know of the
12 particulars, but I do know we signed an agreement
13 with DECCA this year. But as far as I know it's
14 still through the utility -- the distribution of
15 the funds.

16 MS. HUIZENGA: No further questions.

17 JUDGE SHOWTIS: I have some questions.

18 EXAMINATION

19 BY

20 JUDGE SHOWTIS:

21 Q. In the proceeding -- addressing the Nicor
22 Customer Select Program rehearing was granted on

1 certain limited issues and one of the issues
2 concern the timing of certain events.

3 So I want to try to clarify the
4 Company's position concerning the timing of
5 certain events because you mention in your
6 testimony if certain positions are taken that are
7 opposed by the Company -- and -- speaking of
8 Company, I'll just group North Shore and Peoples
9 Gas together -- that there may be some delay in
10 program implementation.

11 So I just want to explore that a little.
12 I believe you start out with A proposed
13 implementation date of May 1st, 2002, if the
14 Company's proposals are approved by the
15 Commission; is that correct?

16 A. Correct.

17 Q. Then in your rebuttal and surrebuttal
18 testimony you express certain concerns, I guess,
19 primarily with regard to the areas covered by
20 Staff Witness Iannello. If you turn to your
21 rebuttal, I believe it's line 147 -- I'm sorry,
22 that's not right.

1 Okay. It starts in your answer to, I
2 believe, an area that Mr. Fein inquired about,
3 the implementation of a weighted average daily
4 cash out price and your answer begins on line 170
5 and it goes through line 176.

6 Let's -- specifically focusing on that
7 issue, if the Commission determines that there
8 should be a weighted average daily cash-out
9 price, you indicate on lines 170 through 172 that
10 it would require additional programming which
11 could delay program implementation and then you
12 talk about the administrative burdens later.

13 So just strictly focusing on timing --
14 first of all, you use the word "could" so I'm not
15 sure by that word you're indicating that it's
16 possible there would not have to be program
17 implementation, so I need some clarification.

18 If the Commission were to determine that
19 the Company should implement a weighted average
20 daily cash-out price, how would that affect the
21 proposed May 1, 2002 implementation date?

22 A. The Company hasn't specifically quantified

1 each of -- you know, like the timing impact on
2 this change. I couldn't imagine -- if this was
3 the only change that was required that was
4 different from our proposal, I couldn't imagine
5 that it would delay the implementation of May
6 1st, 2002.

7 Q. Okay. Then in your surrebuttal testimony
8 you mention other issues covered by Staff Witness
9 Iannello, that's I-a-n-n-e-l-l-o, and I'm
10 specifically talking about your answer -- the
11 question that begins on line 156, I believe it's
12 on Page 8 of your surrebuttal.

13 And in your answer you're kind of
14 talking in general terms about what you
15 characterize his substantial changes and then you
16 mention the Company may need to request
17 additional time to revise its technical
18 applications if Mr. Iannello's recommendations
19 are accepted.

20 I need a little more clarity with regard
21 to which of his changes you believe would somehow
22 delay the May 1st, 2002 target implementation

1 date since you seem to be talking generally about
2 his proposals there.

3 A. I believe here I was referring to the
4 carry-over that Mr. Iannello had proposed.

5 Q. Carry-over of imbalances?

6 A. Yes.

7 Q. Okay.

8 A. Again, I don't see that having a
9 significant impact on delaying the May 1, 2002.
10 However, all of his proposals, you know, were --
11 it could -- at this time I don't have a specific
12 time that I could qualify...

13 Q. I see somewhat of a dilemma because -- if
14 the Commission were to adopt some of
15 Mr. Iannello's proposals but, perhaps, reject
16 others, I still would assume that the Commission
17 would want to specify some sort of implementation
18 date.

19 In other words, if there had to be a
20 delay in the May 1st date, I find it hard to
21 believe that the Commission would just say, Well,
22 the implementation date will be whenever the

1 Company determines that it can make the necessary
2 programming changes to implement, for example,
3 Mr. Iannello's recommendations.

4 What solution do you have to this
5 uncertainty?

6 A. Could I give you a range? I mean, I would
7 assume it would be no more than six months.

8 JUDGE ZABAN: So let's assume that we adopted
9 all of Mr. Iannello's changes. What you're
10 saying, then, November 1st would be a realistic
11 date to implement all the changes; correct?

12 THE WITNESS: Correct.

13 JUDGE ZABAN: Working back from that, all
14 right, which of Mr. Iannello's changes do you
15 think would be the most disruptive in terms of a
16 Staff issue on the May 1st date if they were
17 accepted?

18 THE WITNESS: Probably the carry-over. The
19 daily tiering probably would not have a
20 significant impact. If he, you know, I think his
21 proposal was more of what Nicor Gas' proposal
22 was.

1 BY JUDGE SHOWTIS:

2 Q. If you want to talk some time to review
3 his changes, just go ahead; but I think it's
4 important for the record to reflect the proposals
5 of Mr. Iannello's that you definitely believe
6 will result in some delay.

7 JUDGE ZABAN: Let me suggest this, Ms.

8 Klyasheff:

9 If you have no objection, we can allow
10 Ms. Egelhoff a little time to review and give us
11 an answer and then we can go on with the next
12 witness and then call her back to just finish up
13 on that; how's that?

14 JUDGE SHOWTIS: That's fine. Rather than have
15 you look over things for five or ten minutes
16 while we're waiting --

17 JUDGE ZABAN: This way you can be free to take
18 your time to do what you have to do.

19 THE WITNESS: Okay.

20 BY JUDGE SHOWTIS:

21 Q. I want to turn, then, to another subject,
22 the single billing option for the SVT suppliers.

1 Staff Witness Schlaf, S-c-h-l-a-f, distinguished
2 between single billing through account agency
3 which he indicated could be implemented within a
4 very short period of time versus the adoption of
5 a single billing option tariff which would be
6 something similar to Rider SBO.

7 Just so I'm clear, single billing
8 through account agency could occur through a
9 supplier offering single billing or someone other
10 than a supplier becoming an agent for purposes of
11 single billing; is that correct?

12 A. Yes. By changing the bill recipients.

13 Q. Right. To whom would -- if the Commission
14 determined that Rider SBO should be implemented,
15 either as proposed by the Company or with certain
16 revisions, how would that affect single billing
17 through account agency?

18 In other words, would account agents
19 have to comply with everything that is in Rider
20 SBO?

21 A. That's the Company's proposal, that any --
22 well, any SVT supplier who wishes to include the

1 Company's charges on its billing issues and it
2 should comply with Rider SBO or something
3 similar.

4 Q. What if there is an account agent that
5 wanted to issue a single bill and would not
6 necessarily be an SVT supplier, in other words, a
7 customer designates some entity to be its account
8 agent, what's your position with regard to single
9 billing through an account agency by an entity
10 that's not an SVT supplier?

11 A. Well, the Company currently allows --
12 currently has -- so that customers could
13 designate someone be the bill recipient other
14 than themselves. It's just that right now we
15 don't allow them to have an SVT supplier to be
16 that bill recipient.

17 So if another -- if an account agent
18 wants to receive the customer's bill, it's doable
19 today.

20 Q. So if I understand then, if the SVT
21 supplier is to perform the single billing, it
22 would be pursuant to Rider SBO and if an entity

1 other than an SVT supplier through account agency
2 wanted to do single billing, the Company would
3 not have any objection to that being allowed in
4 conjunction with the date that the changes to the
5 program are implemented?

6 A. Right. There would take some -- it would
7 take some time to change a person's bill
8 recipient depending on how many customers choose
9 to go to an agent.

10 Q. I think Dr. Schlaf referred to a small
11 amount of time.

12 A. It would be relatively small.

13 Q. Do you agree generally with what he said?

14 A. Yes.

15 Q. Now, I have a -- going to a timing
16 question and it's focusing strictly on Rider SBO,
17 if the Commission determines that a single
18 billing option should be allowed through a tariff
19 such as Rider SBO with or without changes to the
20 proposal of the Company, what would you believe
21 should be the effective date for Rider SBO?

22 A. Well, assuming that the Company's proposed

1 Rider SBO is approved and based on preliminary
2 discussions with our IT Department, I believe we
3 can do that within, you know, six-month period
4 after an order is granted.

5 If, however, some of the proposals made
6 by the intervenors or Staff were approved, it
7 could take up to an additional six months to do.

8 Q. I'd like for you to answer this question
9 and if you can do it right away, you can do it
10 now or else maybe you can come back: Which of
11 the proposals by Staff or intervenors with regard
12 to Rider SBO would require up to an additional
13 six months?

14 If that's something you'd rather take
15 some time to look at, I'd like for you to come
16 back and answer that.

17 A. Yes.

18 Q. Sticking with Rider SBO, I know it's the
19 Company's position that there shouldn't be a
20 credit, embedded cost-based credit, associated
21 with that rider.

22 What is the Company's position with

1 regard to that, that the Commission should
2 conclude based on the record that's before us now
3 that there should not be a credit? Is that what
4 the Company's proposal is?

5 A. Yes.

6 Q. If the Commission decides that there's not
7 enough in the record to determine whether there
8 should be a credit, what do you propose should
9 happen, that this issue would have to be explored
10 on rehearing or somehow explored in some other
11 manner?

12 A. I don't know. I'm not familiar with the
13 process.

14 JUDGE SHOWTIS: I think I'll -- to be fair, I
15 think I'll ask the same question to the witnesses
16 that are advocating some sort of SBO embedded
17 cost-based credit, because that's another area
18 where there's some uncertainty with regard to how
19 it affects timing.

20 BY JUDGE SHOWTIS:

21 Q. I just have a couple of other questions.

22 Would you turn to your rebuttal

1 testimony on Page 5, and focusing on lines 93
2 through 100, here you're commenting on the
3 proposal of two witnesses to eliminate the
4 current 50 cents per therm non-critical day
5 charge; and on lines 97 through 98 you comment on
6 commodity prices in different geographic markets
7 varying to some extent.

8 Would you elaborate a little on what the
9 Company's experience has been with regard to how
10 commodity prices in different geographic markets
11 have varied?

12 A. Actually, I believe Mr. Wear discussed
13 more of this in his surrebuttal.

14 JUDGE ZABAN: Did you have any data to show
15 that the price of gas varies in different markets
16 and would cause the suppliers to go to those
17 markets where they get more for their gas?

18 THE WITNESS: I don't know about that, but I
19 assume Mr. Wear might.

20 JUDGE ZABAN: Okay. I'm just assuming -- you
21 made the statement so you must have gotten the
22 information from someone?

1 THE WITNESS: Right.

2 JUDGE ZABAN: Where did you get that
3 information from?

4 THE WITNESS: Speaking with the gas supply
5 department and spoke to Mr. Wear.

6 BY JUDGE SHOWTIS:

7 Q. Just a couple questions with regard to the
8 standards of conduct that certain parties believe
9 should be part of the tariff.

10 Is it correct that the Company's
11 opposition to the inclusion of standards of
12 conduct is primarily based on its opinion that
13 the Company cannot investigate any alleged
14 violations or enforce the standards of conduct?

15 A. Correct.

16 Q. Is there any other reason why the Company
17 is opposed to inclusion of a standards of
18 conduct? In other words, is that the sole
19 reason?

20 A. I believe so, yes.

21 Q. So you haven't taken a position that the
22 standards of conduct proposed by, I think at

1 least Staff in this proceeding, are inappropriate
2 standards, it's mainly a problem with enforcement
3 of violations?

4 A. Correct.

5 JUDGE SHOWTIS: I think that's it, but let me
6 just check one thing.

7 Okay. That's all I have.

8 MR. FEIN: With all due respect with the
9 additional questions that the Judges have asked
10 Ms. Egelhoff and have provided her the
11 opportunity to respond after we break, I would
12 ask your indulgence to reserve the right to
13 cross-examine her on issues that we would believe
14 are, you know, beyond the scope of surrebuttal
15 testimony.

16 The witness had the opportunity to
17 discuss any implementation delays that would be
18 presented by adoption of its Rider SBO it
19 proposed it in the rebuttal testimony. Other
20 intervenors are prejudiced by not having the
21 opportunity to respond to that.

22 So I would ask for your indulgence to at

1 least allow -- I don't know what you call this --
2 recross after this additional supplemental
3 surrebuttal or whatever it is that Ms. Egelhoff
4 is being allowed to --

5 JUDGE SHOWTIS: We'll allow some latitude, but
6 I think it's more important that we get more
7 specificity concerning some possible delays. I
8 also think it's fair -- it will be fair for Staff
9 and intervenors to inquire further if they need
10 some further explanations.

11 JUDGE ZABAN: And also, by way of explanation,
12 Mr. Fein, irrespective of what her answer is,
13 it's not going to effect our opinion on whether
14 or not to implement these things. It's just
15 merely -- at some point we anticipate being asked
16 by the Commission what affect, if any, it's going
17 to have and we need to be able to respond to them
18 in time.

19 MR. FEIN: No, I understand. It's obviously
20 Judge-related.

21 JUDGE SHOWTIS: Right. I would assume the
22 Commission would -- if there is going to be a

1 delay beyond the May 1st, 2002 date, I would
2 assume that the Commission would want to specify
3 some date rather than leave it uncertain and
4 that's the reason for trying to get some more
5 specificity about possible delays.

6 MS. KLYASHEFF: Your Honors, on the subject of
7 additional cross on that question, Ms. Egelhoff's
8 testimony indicated the potential for delays. I
9 do not see how your questions raise matters that
10 could not have been raised on cross by Staff or
11 intervenors on their own. That's why I am
12 uncertain of why additional cross would be
13 appropriate at that point?

14 JUDGE ZABAN: We -- that -- Mr. Fein will ask
15 only germane and pertinent questions.

16 MR. KELTER: I'd like to respond to that.

17 JUDGE ZABAN: Don't worry about that, okay,
18 you're going to get a chance to respond. We've
19 already granted -- and we will allow you the
20 opportunity to question, okay.

21 MS. KLYASHEFF: That is my understanding, that
22 any redirect would come after our conclusion of

1 her testimony afterward.

2 JUDGE SHOWTIS: Let's go off the record.

3 (Discussion off the record.)

4 JUDGE SHOWTIS: We'll be back in an hour.

5 (Whereupon, a luncheon

6 recess was taken.)

7 MS. KLYASHEFF: The Company calls Mr. Wear.

8 DAVID WEAR,

9 called as a witness herein, having been

10 previously duly sworn, was examined and testified

11 as follows:

12 DIRECT EXAMINATION

13 BY

14 MS. KLYASHEFF:

15 Q. Mr. Wear, I show you two documents, one
16 for each Peoples Gas and North Shore, each marked
17 for identification as Respondent's Exhibit B and
18 entitled Direct Testimony of David Wear; I show
19 you two documents, one each for Peoples Gas and
20 North Shore, each marked for identification as
21 Respondent's Exhibit D and entitled Rebuttal
22 Testimony of David Wear and two documents, one

1 each of Peoples Gas and North Shore, each marked
2 for identification as Respondent's Exhibit G and
3 entitled Surrebuttal Testimony of David Wear.

4 Do these documents contain the testimony
5 that you wish to give in this proceeding?

6 A. Yes, they do.

7 Q. Do you have any changes to make to any of
8 these documents?

9 A. No.

10 Q. At this time if I were to ask you the
11 questions contained in these documents, would
12 your answers be the same as set forth therein?

13 A. Yes.

14 Q. Do you adopt these documents as your sworn
15 testimony in these proceedings?

16 A. I do.

17 MS. KLYASHEFF: At this time, Respondent moves
18 for admission of Respondent's Exhibits B, D, and
19 G. These documents are in E-docket in the form
20 that we propose to have them admitted, and
21 subject to cross-examination we move for their
22 admission.

1 JUDGE SHOWTIS: Respondent's Exhibit s B, D,
2 and G as they appear on Commission's E -docket
3 system are admitted into evidence in Docket
4 01-0469 and 01-0470.

5 (Whereupon, Respondent's
6 Exhibit Nos. B, D, and G were
7 admitted into evidence as
8 of this date.)

9 JUDGE SHOWTIS: Parties may cross.

10 CROSS-EXAMINATION

11 BY

12 MR. MUNSON:

13 Q. Good afternoon. A couple quick questions.

14 Would you agree with me that suppliers
15 that will be serving customers in Nicor's
16 Customer Select Program are likely to be the same
17 or similar suppliers that will serve customers in
18 Peoples program?

19 A. I would agree that it makes sense to make
20 that statement. I don't have any knowledge of
21 who's participating in Nicor's program.

22 Q. I asked Witness Egelhoff a couple

1 questions about the Rider AGG and she mentioned
2 you were the appropriate witness to ask on that.
3 So I shall ask you.

4 A. Okay.

5 Q. Now, can you give me an example of when
6 the utility would be entitled to interrupt or
7 curtail the deliveries of SVT suppliers under
8 your tariffs?

9 A. Are you referring to the operational
10 integrity provision or are you referring to some
11 other tariff provisions?

12 Q. By operational integrity provision, which
13 provision would you say that is? I was referring
14 more to the terms of service in Section K. If it
15 was more of a general question?

16 A. In general terms, perhaps, you should
17 restate the question for me.

18 Q. I'm wondering if you could give me an
19 example of when the utility would be entitled to
20 interrupt or curtail an SVT supplier's
21 deliveries?

22 A. The Company has reserved its sole

1 judgement when supplies might be necessary to be
2 curtailed. These would be instances to preserve
3 the integrity of the distribution system or its
4 transmission system, its storage operations or
5 anything of an operational nature.

6 Q. Let me give you another example.

7 What if a utility simply didn't have
8 enough supply? In that case would the utility be
9 entitled to interrupt or curtail the delivery of
10 the suppliers?

11 A. Whether or not they would have the right,
12 certainly, to me it doesn't make sense that if we
13 are in short supply that we would interrupt any
14 supply that's coming to us.

15 JUDGE ZABAN: I think -- Mr. Wear, can you
16 give us an example where the integrity of the
17 system might be -- might cause the circumstances
18 that Mr. Munson is talking about.

19 THE WITNESS: He seems to be discussing days
20 in which the Company is short of supply.

21 JUDGE ZABAN: No, no, no. I'm not talking
22 about that. You gave us a general definition and

1 I think what Mr. Munson was asking you was, can
2 you think of a circumstance that would result in
3 that other -- what, specifically, might happen to
4 the integrity of the system that would cause you
5 to do that?

6 THE WITNESS: One such example would be after
7 continuous days of warmer than normal weather
8 during winter if it becomes -- if the system
9 starts to experience excessive pressures and the
10 storage operations cannot be diminished beyond a
11 certain level, it may be necessary to restrict
12 gas coming to the system; and we do so not just
13 to the SVT suppliers but to large volume
14 suppliers -- but to the Company's gas as well to
15 minimize the amount of gas coming to us.

16 JUDGE SHOWTIS: Would there be examples where
17 the curtailment of deliveries would only apply to
18 SVT suppliers as opposed to other transportation
19 customers or sales customers?

20 THE WITNESS: I think that's very unlikely.

21 BY MR. MUNSON:

22 Q. Trying to -- I'm not trying to be clever

1 here, I'm just trying to figure out what you
2 stated that the Company's sole direction -- or
3 sole discretion, sorry, and I'm trying to figure
4 out what sorts of situations where that would
5 occur; and you mentioned -- perhaps I could ask,
6 certainly an emergency situation, that would be
7 an example?

8 A. Yes.

9 Q. And then I asked what if the Company
10 failed to nominate enough gas on a particular
11 day, would that be a situation the Company may
12 exercise?

13 A. Again, that does not seem to be one
14 situation where curtailing SVT suppliers would
15 make sense, no.

16 Q. What about a situation where there was an
17 administrative error on behalf of the Company?

18 A. Again, no, it doesn't seem to be a
19 situation which would warrant curtailment of SVT
20 suppliers.

21 Q. If a supplier similarly had an
22 administrative error, would the supplier receive

1 any latitude from the Company in such a
2 situation?

3 A. If a supplier failed to nominate properly,
4 is that --

5 Q. Due to an administrative error. Say they
6 transposed the numbers in nomination?

7 A. I think it's always in everyone's best
8 interest to -- if the problem is easily solved,
9 that we would work with the supplier to solve the
10 problem to allow their gas to flow.

11 We do allow all shippers the right to
12 renominate after the first time we cycle. There
13 is an opportunity for them to do that on the
14 evening nomination cycle on the pipelines, so
15 that's available to everyone one on our system at
16 any time.

17 MR. MUNSON: If I could have one second.

18 JUDGE ZABAN: While you're looking at --
19 Mr. Wear?

20 THE WITNESS: Yes.

21 JUDGE ZABAN: Are there any safeguards in
22 effect to prevent North Shore or Peoples Gas from

1 improperly preventing an SVT from delivering its
2 gas?

3 The impression I'm getting, Mr. Munson
4 says, how can we be sure that we're going to be
5 able to deliver and you just aren't going to stop
6 us from delivering for your own purposes?

7 THE WITNESS: I think our experience and our
8 behavior has shown that we don't act irrationally
9 or act without reason. The integrity of the
10 system is first and foremost in our interests;
11 and to do something unilaterally that had no
12 bearing on maintaining the safety or reliability
13 of the system, I think, would be evident to all
14 the parties participating.

15 JUDGE ZABAN: Do you see the SVTs as
16 competitors?

17 THE WITNESS: No.

18 BY MR. MUNSON:

19 Q. Just to be clear, though, the decision
20 that -- whatever decision has to be made with
21 curtailing supplies is in your tariffs regarded
22 as the Company's sole judgement, is that correct?

1 A. That's correct. The Company's, the only
2 party in a position to make such an assessment.

3 MR. MUNSON: That's all I have for Mr. Wear.

4 JUDGE ZABAN: Mr. Fein?

5 MR. FEIN: May I proceed?

6 JUDGE ZABAN: Yes.

7 CROSS-EXAMINATION

8 BY

9 MR. FEIN:

10 Q. Mr. Wear, your discussion of enrollments
11 in your rebuttal testimony beginning on Page 6,
12 you indicate that the enrollment limits are
13 necessary because of changing gas supply planning
14 considerations. Do you recall providing that
15 testimony?

16 A. Yes.

17 Q. Is there anywhere in this rebuttal piece
18 of testimony or your surrebuttal testimony or
19 even your direct testimony that you presented in
20 this proceeding where you provide any specifics
21 of these changing gas supply planning
22 considerations that you reference here on Page 6

1 of your testimony?

2 A. I did not provide examples of them, no.

3 Q. Has the Company recently signed long-term
4 capacity storage or supply constraints that go
5 beyond the year 2005?

6 A. What is your definition of recently?

7 Q. In the last, let's say, year?

8 JUDGE ZABAN: If you know.

9 THE WITNESS: I don't recall any, no, that go
10 beyond 2005 did you say?

11 BY MR. FEIN:

12 Q. Yes.

13 A. No.

14 Q. How about within the last six months?

15 JUDGE ZABAN: That would be within the last
16 year.

17 MR. FEIN: That's true.

18 JUDGE ZABAN: How about the last year and a
19 half?

20 THE WITNESS: I don't believe so. I think we
21 provided copies of all of our contracts as part
22 of discovery so it should be easy to find out.

1 BY MR. FEIN:

2 Q. Now, you also indicate on Page 6 of your
3 rebuttal testimony that the Company either
4 incorrectly forecasted or was surprised by the
5 participation levels in the large volume
6 transportation programs, is that correct?

7 A. Where is the line that you're referring
8 to?

9 Q. Page 6 of your rebuttal testimony, same
10 page. Line 117 in your Peoples testimony. The
11 sentence begins --

12 A. I found it.

13 Q. Do you recall that portion of your
14 testimony?

15 A. Yes, I do.

16 Q. Am I correct to assume that the Company
17 underestimated the number of customers that they
18 anticipated would take service from an alternate
19 supplier under those programs?

20 A. That's basically what I was referring to,
21 yes.

22 Q. And is that one of the reasons why the

1 companies proposed the specific enrollment limits
2 that they proposed in this proceeding?

3 A. Yes. Enrollment limits in this proceeding
4 were designed to allow the Company to accommodate
5 an increase in transportation deliveries and to
6 make the necessary changes in our portfolio at
7 the same time.

8 Q. And by that would it be correct to state
9 that the Company was concerned that if the
10 enrollment limits were set higher, that a greater
11 number of customers would take service from an
12 alternate supplier and not allow the Company to
13 realign its assets I believe is the phrase you
14 used?

15 A. That was, again, a concern. I don't have
16 any knowledge about how many customers would take
17 service if there were not these enrollment
18 limits, but we felt the enrollment limits were
19 set such that it would be appropriate.

20 Q. You also indicated in your rebuttal
21 testimony on lines 127 through 130 that the
22 phase-in approach -- and by that I gather you

1 mean the enrollment limits that change each
2 year -- take into account the necessary economies
3 of scale desired by SVT suppliers.

4 Is that a correct paraphrasing of your
5 testimony?

6 A. Yes.

7 Q. Which SVT suppliers were you referring to
8 in this answer?

9 A. I had no particular SVT supplier in mind.

10 Q. Did you ask any SVT suppliers whether the
11 enrollment limits took into account the economies
12 of scale desired by SVT suppliers?

13 A. No, I didn't.

14 Q. Mr. Wear, do you have a background in
15 marketing?

16 A. I have a Master's in Business
17 Administration which has some marketing
18 background to it.

19 Q. Have you ever been employed by any of the
20 SVT suppliers currently operating in the
21 Company's program?

22 A. No.

1 Q. Have you ever been employed by The New
2 Power Company?

3 A. No.

4 Q. Have you ever been employed by other
5 independent energy marketing companies?

6 A. No.

7 Q. On Page 7 of your rebuttal testimony, line
8 138, you discuss the minimum stay requirement and
9 you describe it as a valuable gas supply planning
10 tool. Do you see that reference?

11 A. Yes.

12 Q. You did not present any studies to come up
13 with this 12-month period that you've discussed
14 here in your testimony, have you?

15 A. I hadn't presented any studies, no.

16 Q. And without the minimum stay requirement
17 you indicate the customers could simply bounce
18 back and forth between the utility and suppliers
19 at any time, is that correct?

20 A. Correct.

21 Q. Do you have any familiarity with the
22 frequency of customers switching from utility

1 suppliers to alternative suppliers during --
2 since the initiation of the Choices For You
3 Program?

4 A. No, I don't.

5 Q. Do you recall a question that was proposed
6 in discovery in this proceeding regarding the
7 frequency of large volume transportation
8 customers switching suppliers between January
9 2000 and September 2000?

10 A. I don't recall that question. I believe
11 it was directed at Witness Egelhoff.

12 Q. Do you recall, subject to check, that the
13 percentage given in that response from the
14 Company is that only 1 percent of large volume
15 transportation customers switched suppliers?

16 A. Again, I don't -- I'm not familiar with
17 the data request response.

18 JUDGE ZABAN: Mr. Fein, once again, do you
19 have anything to indicate that there's a
20 correlation between high volume customers and
21 individual customers?

22 MR. FEIN: The witness has already stated that

1 the enrollment limits and the minimum stay
2 requirements that have been proposed in this case
3 are directly a result of experiences they've had
4 with switching and other experiences with their
5 large volume transportation programs.

6 JUDGE ZABAN: All right.

7 BY MR. FEIN:

8 Q. So you're not aware of any of the
9 statistics with respect to those switching in the
10 Company's large volume transportation program?

11 A. I'm not familiar with the statistics. I
12 don't know that -- I believe I said that the
13 experience with the large volume program
14 contributed in part to our -- it was not the only
15 reason for enrollment limits or minimum stay
16 requirements.

17 Q. You have not presented in this proceeding
18 any analysis or study regarding the frequency of
19 Rate 1 customers returning to the utility's
20 service after initiating service under the
21 Choices For You Program, have you?

22 A. No.

1 Q. Likewise, you have not presented in this
2 proceeding any analysis or study regarding the
3 frequency or speed with which a Rate 1 customer
4 switches back to an alternate supplier after
5 having returned to the utility?

6 A. No, I haven't.

7 Q. Are you aware of how the Company will
8 recover its costs to serve customers that return
9 to bundled utility service after having initiated
10 service under the Choices For You Program?

11 A. How do they recover their costs of these
12 people returning to service?

13 Q. (Nodding.)

14 A. Again, I -- I'm not the expert; but I
15 believe once they return to sales service they
16 are subject to the same charges that all sales
17 customers are.

18 Q. Is there another -- I'm sorry, is there
19 another witness who's testifying here on behalf
20 of the Company who would be the expert who would
21 know that answer?

22 A. Perhaps -- I wouldn't be able to suggest

1 who is the expert on rates and those charges, I'm
2 sorry.

3 Q. That's all right. Are you familiar with
4 residential retail choice programs in other
5 states?

6 A. Only on a very rudimentary level from what
7 I read in the industry publications.

8 Q. Are you familiar with Columbia of Ohio and
9 East Ohio Gas?

10 A. That one is not familiar to me, no.

11 Q. Are you aware that both of those utility
12 service territories are open in competition?

13 A. From today's testimony I recall that point
14 being made.

15 Q. And I gather other than your attendance
16 here today, you're not aware that neither
17 Columbia of Ohio or East Ohio Gas have minimum
18 stay requirements?

19 A. That's correct.

20 JUDGE ZABAN: Are those the only two examples
21 that you have, Mr. Fein?

22 MR. FEIN: That's all that I'm asking him

1 about, yeah.

2 JUDGE ZABAN: Do you have any other examples?

3 MR. FEIN: My witness would be happy to offer
4 examples on the witness stand.

5 JUDGE ZABAN: Could we go off the record for a
6 second.

7 (Discussion off the record.)

8 JUDGE ZABAN: Back on the record, Mr. Fein.

9 BY MR. FEIN:

10 Q. On line 138 of your rebuttal testimony you
11 state that New Power's default service proposal
12 is not a viable alternative. Do you recall
13 giving that testimony?

14 A. Yes.

15 Q. Have you personally investigated the
16 feasibility of any default service proposal?

17 A. No.

18 Q. Have you personally surveyed customers to
19 determine the desirability of a default service
20 mechanism?

21 A. No.

22 Q. And have you inquired of potential SVT

1 suppliers to see if they were interested in a
2 default service mechanism?

3 A. No, I haven't.

4 Q. In developing the Company's storage
5 proposal for this proceeding, are you aware
6 whether the Company solicited input from other
7 SVT suppliers?

8 A. The Company's storage proposal -- storage
9 plan will exist whether or not this program goes
10 forward, so I don't understand the question. We
11 have an obligation to do a storage plan
12 regardless of whether there is an SVT program or
13 not.

14 Q. Are you familiar with the Company's
15 storage proposal that requires SVT suppliers to
16 purchase that service if they would like to
17 participate in a Choices For You Program?

18 A. Yes.

19 Q. And in developing that aspect of the
20 program, did you solicit input from SVT
21 suppliers?

22 A. I did not. I don't know if that was part

1 of the process or not.

2 Q. With respect to the operational integrity
3 provision, you've stated that this provision will
4 only be invoked where a verifiable threat to the
5 system is present; is that correct?

6 Specifically, I'll direct you to Page 15
7 of your testimony -- your rebuttal testimony.

8 JUDGE SHOWTIS: It's on line 324.

9 THE WITNESS: Yes, I recall that.

10 BY MR. FEIN:

11 Q. And the Company has agreed that it will
12 not invoke this provision for economic reasons,
13 is that correct?

14 A. That's correct.

15 Q. Will the Company agree to include this --
16 an expressed prohibition against invoking this
17 provision for economic reasons in its tariffs?

18 A. I don't know that that would be necessary.
19 I think that's something that would require
20 further discussion.

21 Q. And the Company certainly wouldn't be
22 opposed to the Commission including this

1 expressed prohibition in its order in this
2 proceeding would it?

3 A. Certainly not.

4 Q. As part of this operational integrity
5 provision, does it include any method for
6 suppliers to verify or contest whether the
7 provision was invoked solely for threats to the
8 system?

9 A. I don't think there are any provisions in
10 the wording as it's been filed.

11 Q. In developing the two-hour notice
12 provision, did the Company solicit input of SVT
13 suppliers?

14 A. I don't believe so. That was based on
15 what our -- notification time line is for other
16 matters such as declaration of a critical day and
17 other significant pieces of information that are
18 important to shippers.

19 Q. Would the operational integrity provisions
20 apply to all suppliers on a nondiscriminatory
21 basis?

22 A. Yes.

1 Q. Would this include Peoples' system supply?

2 A. Peoples and North Shore as the case may
3 be, yes.

4 Q. Under the operation of this provision
5 would quantities of gas, would they be limited at
6 specific city gate stations?

7 A. That's correct.

8 Q. And would the Company also be limited by
9 these same percentages at each specific city gate
10 location?

11 A. Again, the Company -- all shippers would
12 be subject to any reductions that would take
13 place. We would first ask the pipelines to
14 reduce the volumes, according to their tariff.
15 If they decline to do so, we would do it on a
16 prorated basis.

17 Q. Does the Company make off-system sales?

18 A. Yes.

19 Q. And would the Company invoke the proposed
20 operational integrity provision to protect
21 Peoples Gas' off-system sales?

22 A. No.

1 Q. I believe in response to a question from
2 Mr. Munson regarding the operational integrity
3 provision, you used the phrase called "excessive
4 pressure on the system" and could you explain
5 what you meant by that, if I heard that
6 correctly?

7 A. Yes. The Company operates several
8 thousand miles of distribution main and several
9 hundred miles of transmission pipeline. There is
10 everyday fluctuating pressures within these
11 pipelines.

12 At some times the pipelines -- the
13 pressures become excessive and deliveries into
14 the system would be constrained and would have to
15 be lessened in order to allow the pressures to
16 eventually decline.

17 Q. Is the Company currently in negotiations
18 with any suppliers or pipelines or storage
19 providers to reduce the amount of assets to avoid
20 stranded costs as a result of implementation of
21 the Choices For You Program, to the best of your
22 knowledge?

1 A. The Company is in negotiations, ongoing
2 negotiations, with many parties throughout the
3 year. There are no particulars that I can speak
4 of at this point, but negotiations are an ongoing
5 process.

6 Q. Would you agree, then, that it would not
7 be prudent to establish long-term contracts from
8 pipeline capacity and supply when opening your
9 system to competitive commodity options?

10 A. That's obviously a consideration that we
11 take into account when we do negotiations, what
12 level of service we want, what length of service
13 we want, and that all ties to the enrollment
14 limits once again.

15 The reason for enrollment limits is it
16 gives us a little more certainty what assets we
17 can contract for and which ones we shouldn't.

18 Q. Does the Company have the capability,
19 displacement capabilities, across its system?

20 A. Could you describe how you mean that,
21 displacement?

22 Q. In other words, if you're experiencing

1 some constraints on the system -- at one end of
2 the system, at one of your gates, are you able to
3 displace that system -- other portions of the
4 system?

5 A. There are -- at times when one city gate
6 might be constrained, it is conceivable that
7 another city gate would not be constrained if
8 that's what you're questions. There are limits
9 and constraints and bottlenecks with how the gas
10 flows through the system as well.

11 So it's not necessarily at a delivery
12 point. It could be -- once we receive it where
13 it needs to go, it might be constrained as well.

14 MR. FEIN: Nothing further.

15 MR. KELTER: I have a couple quick questions.

16 CROSS-EXAMINATION

17 BY

18 MR. KELTER:

19 Q. If you could turn back to Page 6 of your
20 rebuttal testimony.

21 The -- at line 121 to 123 where you
22 discuss the Company's taking into account the

1 necessary economies of scale desired by SVT
2 suppliers, was there an underlying assumption
3 regarding an SVT supplier's acquisition cost that
4 you had in mind?

5 A. I don't find that reference in my
6 testimony.

7 Q. You know what, I'm sorry. I'm looking at
8 Docket 01-0469, the North Shore testimony.

9 A. And the line number again is?

10 Q. 122 and 123?

11 A. Okay. And could you repeat your question
12 for me.

13 Q. Sure. It's referring to the statement
14 here that the program does take into account the
15 necessary economies of scale desired by SVT
16 suppliers.

17 I wondered if you had an underlying
18 assumption regarding an SVT supplier's
19 acquisition cost?

20 A. No. The statement was simply meant to
21 make the point that we recognize that SVT
22 suppliers desire economies of scale and our

1 enrollment limits were intended to help them in
2 that regard. They were not intended to be
3 excessively low as to prevent them from
4 experiencing economies of scale. I have no
5 economics to back that up.

6 Q. So then -- did you take into consideration
7 whether the suppliers would want to do any kind
8 of mass marketing such as television, radio and
9 newspaper?

10 A. I don't think we -- this would prohibit
11 that.

12 Q. So you don't think that that would be
13 changed whether there were -- I'm sorry, what's
14 the number of total customers in your service
15 territory?

16 A. In the combined service territory?

17 Q. Right.

18 A. It's close to a million.

19 Q. And you're talking about only 9 percent of
20 those customers being eligible for competition
21 the first year?

22 A. Those were the percents that were

1 discussed earlier. If that's the case, then,
2 yes.

3 BY MR. KELTER:

4 Q. Okay. So it's your testimony that --
5 well, I'll leave it at that. Thank you.

6 JUDGE ZABAN: Anything further?

7 MR. KELTER: No, sorry.

8 JUDGE ZABAN: I just have a quick question,
9 Mr. Wear.

10 EXAMINATION

11 BY

12 JUDGE ZABAN:

13 Q. You testified that -- based on your
14 experience with large scale customers that there
15 was an imbalance because there was insufficient
16 assets; is that correct?

17 A. There was a mismatch between the assets
18 the Company held and the amount of -- demand
19 obligation for its sales customers. It was not a
20 deficiency, it was an excess really, is what I
21 was referring to.

22 Q. You had too many assets or not enough?

1 A. Too many.

2 Q. And assets we're talking about gas,
3 correct?

4 A. It could be supply assets; it could be
5 transportation assets.

6 Q. Basically we're talking about -- we're not
7 talking, like, assets like machinery or anything
8 like that, this is basically -- we're talking
9 about available --

10 A. Yes, supply assets.

11 Q. And is it your belief here that if you
12 were to open the gates to more people to
13 participate in the Choices For You Program that
14 it would upset your -- it would upset the fact
15 that you now currently have too many assets so
16 that you'd be stuck with gas?

17 A. It creates that possibility. I don't know
18 that it's a foregoing conclusion.

19 Q. So that's one of the -- and at least your
20 understanding is that it's one of the reasons it
21 was limited to 9 percent, is that correct?

22 A. That was the reason for the phase-in

1 approach and the numbers -- percentages fell out
2 from that.

3 Q. Okay. What prevents you, then, from --
4 since you know now that you are now going --
5 let's say you do it at 9 percent and a year later
6 you're going -- or six months or a year later
7 you're going to be going up to another number,
8 all right, what prevents you from using those
9 assets and reducing them down to a level that you
10 couldn't take in more people on the Choices For
11 You?

12 A. I have to apologize. I don't follow the
13 question.

14 Q. All I'm saying is, if I understand this,
15 you've got storage assets, you got transportation
16 assets, okay?

17 A. Yes.

18 Q. When you start the Choices For You, based
19 on your estimates, you can bring in about 9
20 percent of the customers to allow them to buy
21 from other suppliers who will then put their
22 assets into your system; correct?

1 A. Correct.

2 Q. To bring your system up to capacity?

3 A. Yes.

4 Q. Okay. Now, you will have whatever period
5 of time before you start Phase 2 to reduce the
6 current assets that you're holding, which is the
7 transportation and the storage assets.

8 What prevents you from reducing those
9 levels down even further so that you can allow
10 more people to come in under the Choices For You
11 and allow other suppliers to fill that up?

12 A. Much of the gas pipe portfolio was
13 established prior to the filing of this program,
14 so it was based on certain estimates of load
15 going forward. It was based on projections of
16 what we would have absent of this program. There
17 is not an opportunity every year to reduce those
18 assets because they are of varied term lengths.

19 Q. So your answer basically is, you have
20 prior commitments of stuff you have to buy; is
21 that correct?

22 A. That's correct.

1 Q. Okay. So then you are obligated during
2 that period of time to buy X amount and as -- and
3 I think as Ms. Egelhoff pointed out, as these
4 contracts terminate for the purchase of resupply,
5 by not renewing them, it opens the door to allow
6 others to come in; is that correct?

7 A. Correct.

8 JUDGE SHOWTIS: I just have a couple
9 questions.

10 EXAMINATION

11 BY

12 JUDGE SHOWTIS:

13 Q. It's my reading of your testimony that
14 with regard to delivery tolerances and other gas
15 supply issues, you conclude that what might be
16 appropriate for Nicor Gas isn't necessarily
17 appropriate for Peoples or North Shore because of
18 specific operational facts that apply to their
19 respective systems; and I think you mentioned --
20 without elaborating too much, that's why I wanted
21 to follow up the significant differences between
22 the assets available to Nicor and those available

1 to Peoples Gas and North Shore.

2 Would you just elaborate a little on
3 what you believe to be the significant
4 differences that would result -- should result in
5 different conclusions with regard to delivery
6 tolerances and other gas supply issues.

7 And I'm referring to Page 3 of your
8 rebuttal testimony where you note on line 31 and
9 32 that there are significant differences; but
10 you don't really seem to -- at least there,
11 provide an explanation of what those significant
12 differences are.

13 A. The differences that I was referring to --
14 these are the ones that are known to me, there
15 may be others -- the Nicor service territory is
16 served by at least two pipelines that Peoples --
17 that neither Peoples nor North Shore is served
18 by.

19 The Nicor service territory has
20 additional on-system storage beyond what Peoples
21 has. Nicor's service territory has -- and I'm
22 not sure what the number is, but it's orders of

1 magnitude higher in the number of city gate
2 delivery points off of natural gas pipelines than
3 Peoples or North Shore do.

4 So there are enough, I feel, differences
5 between the two companies and their physical
6 layouts and their asset makeup that would warrant
7 each program being tailored to what each company
8 has in its -- and what its makeup is.

9 Q. With regard to Nicor being served by two
10 different pipelines, have you examined the terms
11 and conditions under which service is provided by
12 those pipelines to Nicor versus the terms and
13 conditions under which service is provided by the
14 pipelines that serve Peoples Gas and North Shore
15 to those respective companies?

16 A. No, I haven't.

17 Q. So, for example, with regard to tolerances
18 from the pipelines, you hadn't contrasted those
19 or compared those?

20 A. That's correct.

21 Q. Okay. There was a question that
22 Ms. Egelhoff deferred to you and I wanted to ask

1 you about that.

2 A. Okay.

3 Q. In her rebuttal testimony on Page 5, lines
4 97 and 98, she mentions variance in commodity
5 prices in different geographic markets. And I
6 asked her about that and I think she said you
7 would be better prepared to answer that.

8 I'm trying to get some idea of past
9 experience with regard to the extent to which
10 there has been significant variances in those
11 commodity prices?

12 A. Again, I can't produce any studies right
13 now; but in my eight years of experience, it's
14 sufficient for me to, I think, truthfully say
15 that geography has a bearing on what the price of
16 gas is from one location to another.

17 For example, the Chicago market is
18 different than the Michigan market. The Chicago
19 market is different than the Ohio market in terms
20 of its pricing. The Chicago market is different
21 than the Oklahoma market. They're all -- the
22 price will find equilibrium for those markets.

1 They might not necessarily be the same.

2 JUDGE SHOWTIS: That's all I have.

3 JUDGE ZABAN: Mr. Fein, do you have a witness

4 that you need to testify by 3:00 o'clock?

5 MR. FEIN: Yes.

6 JUDGE ZABAN: Ms. Klyasheff, do you have any

7 further witnesses?

8 MS. KLYASHEFF: Ms. Egelhoff --

9 JUDGE ZABAN: In order to accommodate

10 Mr. Fein --

11 MS. KLYASHEFF: -- for Mr. Wear, but that can

12 happen later.

13 JUDGE ZABAN: Would you object to

14 accommodating Mr. Fein because it's already 2:30?

15 MS. KLYASHEFF: Absolutely.

16 JUDGE SHOWTIS: You may have some redirect for

17 Mr. Wear.

18 JUDGE ZABAN: We'll allow you to reserve --

19 JUDGE SHOWTIS: That's fine.

20

21

22

1 (Whereupon, New Power
2 Exhibit Nos. 1.0 and 2.0 were
3 marked for identification
4 as of this date.)

5 BECKY MEROLA,
6 called as a witness herein, having been
7 previously duly sworn, was examined and testified
8 as follows:

9 DIRECT EXAMINATION

10 BY

11 MR. FEIN:

12 Q. Would you please state your name for the
13 record, please.

14 A. Becky Merola.

15 Q. Could you spell your last name for the
16 Court Reporter.

17 A. M-e-r-o-l-a.

18 Q. I show you four documents, two of which
19 are marked the direct testimony of Becky Merola
20 on behalf of The New Power Company, New Power
21 Exhibits 1.0 that are being submitted in both
22 Dockets 01-0469 and 01-0470.

1 I'm also showing you copies of two
2 documents marked New Power Exhibits 2.0, the
3 rebuttal testimony of Becky Merola on behalf of
4 The New Power Company in Docket Nos. 01-0469 and
5 01-0470.

6 Is this the prefiled direct and rebuttal
7 testimony that you'd like to offer in this
8 proceeding?

9 A. Yes, it is.

10 Q. Is this -- were all four of these pieces
11 of testimony authored by you or under your
12 direction and control?

13 A. Yes, they were.

14 Q. Do you have any changes or corrections to
15 make to your prefiled direct and rebuttal
16 testimony in this proceeding?

17 A. No.

18 Q. If you were asked the same questions that
19 are contained in New Power Exhibits 1.0 and 2.0
20 in both proceedings would your answers be the
21 same today?

22 A. Yes, they would be.

1 MR. FEIN: With that, we move for the
2 admission into evidence of New Power Exhibits 1.0
3 and 2.0 in both proceedings and offer the witness
4 for cross-examination.

5 JUDGE SHOWTIS: Any objection to the admission
6 of those exhibits?

7 New Power Exhibits 1.0 and 2.0 in
8 Dockets 01-0469 and 01-0470 are admitted into
9 evidence.

10 (Whereupon, New Power
11 Exhibit Nos. 1.0 and 2.0 were
12 admitted into evidence as
13 of this date.)

14 JUDGE SHOWTIS: Parties may cross.

15 CROSS-EXAMINATION

16 BY

17 MR. MUNSON:

18 Q. Good afternoon, my name is Mike Munson. I
19 represent the other -- one of the other potential
20 suppliers for this program, Dominion Retail.

21 Am I correct to assume that New Power is
22 participating in several other retail choice

1 programs across the nation?

2 A. That's correct.

3 Q. In your experience in other choice
4 programs how many -- strike that.

5 Let me back up a second. Referring to
6 Page 23 of your rebuttal testimony -- and what
7 I'm talking about, you'll be able to answer this
8 without it -- I'm wondering, in your experience
9 how many rate codes are typical for use by
10 suppliers?

11 A. Behind the Columbia of Ohio program we use
12 hundreds of rate codes. There -- we are allowed
13 to use an unlimited number of rate codes in that
14 program. We use hundreds of rate codes in
15 serving Peco Electric customers. We use hundreds
16 of rate codes behind Atlanta Gas Light. Does --

17 Q. Yeah, that answers -- is it your opinion
18 that competitive suppliers seeking to enter the
19 Peoples or North Shore market may desire to
20 utilize a rate-ready billing protocol?

21 A. I have been part of settlements and
22 proceedings where some individual marketers

1 prefer to use the rate-ready billing method. New
2 Power prefers to use the bill-ready method, but I
3 have seen it in other states.

4 Q. Okay. But as far as for the Peoples or
5 North Shore market, do you feel that competitive
6 suppliers would seek to or desire to utilize
7 that -- the rate-ready billing protocol in the
8 instant proceeding?

9 A. From everything I read in the case my
10 understanding is that Dominion would like to use
11 the rate-ready approach for billing and I do not
12 object to that. I wouldn't want the bill-ready
13 option to disappear because at this point in
14 time, should there not be an opportunity, my
15 preference is is that New Power be able to bill
16 its own customers on a consolidated bill basis;
17 but with that said, we would at least want the
18 option for the bill-ready to be available.

19 Q. Is it likely that other suppliers would
20 wish to use the rate-ready billing protocol in
21 Peoples or North Shore Choice Programs?

22 A. From what I've read, it sounds like

1 Dominion wants to use that. So, yes, I would say
2 that is a supplier that would use the rate-ready
3 format.

4 Q. Well, other suppliers that wish to use
5 that as well, is it possible?

6 A. It would be possible.

7 JUDGE ZABAN: Would it be probable?

8 THE WITNESS: Having participated in several
9 proceedings in several states around the country
10 over the last 12 years I would say that there are
11 some suppliers that would ask for a rate-ready
12 format.

13 JUDGE ZABAN: Okay. So there are others out
14 there asking for that?

15 THE WITNESS: Yes.

16 MR. MUNSON: Nothing further.

17 MS. KLYASHEFF: Just one question.

18 CROSS-EXAMINATION

19 BY

20 MS. KLYASHEFF:

21 Q. You used the word "rate code" in a couple
22 of your responses. Could you define for the

1 record what you mean by that term?

2 A. By rate code I mean a price for a given
3 set of customers. So if you are billing, you
4 would need -- and you offer different customers
5 different prices and options, you would need a
6 code for each one of those individual prices that
7 you would offer.

8 MS. KLYASHEFF: Thank you.

9 EXAMINATION

10 BY

11 JUDGE ZABAN:

12 Q. Approximately, how many Choices For You
13 Programs is New Power participating in currently?

14 A. New Power participates in 25 markets.

15 Q. And how many of those involve Choices For
16 You? All 25?

17 A. We only serve residential and small
18 commercial customers.

19 Q. I'm asking you, how many of those have
20 Choices For You Programs that you participate in
21 of the 25?

22 A. All of these have residential programs.

1 Q. Okay. All of them do.

2 And do any of those programs limit you
3 to ten billing items?

4 A. To the best of my knowledge, no.

5 Q. What's the minimum number of billing items
6 that you're limited to, in any one of those
7 programs, if you know?

8 A. I don't know all of them off the top of my
9 head.

10 Q. The ones you can recall.

11 A. The ones that are most -- the ones that we
12 have the highest -- where we have hundreds and
13 thousands of customers are unlimited.

14 Q. Those are all unlimited?

15 A. Yes. And we have the ability to single
16 bill.

17 JUDGE ZABAN: I have nothing further.

18 MR. KELTER: I have a question.

19 CROSS-EXAMINATION

20 BY

21 MR. KELTER:

22 Q. Referring to Page 3 of your direct in the

1 North Shore case, 01-0469, you discuss
2 significant barriers to entry and I have a
3 question along those lines.

4 Do you consider it a competitive
5 advantage under the LDC option that Peoples
6 affiliate, Peoples Energy Services, has the same
7 name and logo as Peoples Energy?

8 A. Yes.

9 Q. Why?

10 A. There is name recognition using the
11 Peoples name. In the past we have -- New Power
12 has certainly seen value in that. We have
13 acquired the customers of Columbia Energy Group.
14 We asked for the right to use the Columbia Energy
15 Services name for a given period of time. We
16 feel that there is extreme value in using that
17 name.

18 JUDGE ZABAN: Okay. I have a -- there was
19 something brought up a little earlier about how
20 if -- if there's single billing in North Shore
21 and Peoples Gas do the billing, that they will
22 not allow SVTs to use their logo on the billing

1 as well. Do you think that has any impact on
2 competition?

3 THE WITNESS: Could you repeat the question
4 for me?

5 JUDGE ZABAN: There was some testimony earlier
6 that if North Shore or Peoples Gas did single
7 billing that they would use their logo, but they
8 wouldn't use the logo of the SVT who was doing
9 the supply. Do you think that would have any
10 effect on competition?

11 THE WITNESS: Yes. New Power spends -- has
12 spent a tremendous amount of money in building
13 it's logo and we do -- we are capable of doing
14 our own billing, we do supply our logo on our
15 bill. There is not only name recognition but
16 there is brand value in the logo itself.

17 BY MR. KELTER:

18 Q. I have one further question along those
19 lines.

20 Would one way to minimize the advantage
21 of Peoples Energy Services be to have single
22 billing in this program?

1 A. Yes.

2 MR. KELTER: That's all I have.

3 EXAMINATION

4 BY

5 JUDGE ZABAN:

6 Q. Let me just -- because I know you got to
7 catch a plane.

8 Would the addition of the supply of the
9 SVT logo, would that -- on North Shore or Peoples
10 Gas' billing, would that kind of level the
11 playing field for everybody to the point where it
12 really wouldn't make a difference who does the
13 billing because everybody would kind of get equal
14 advertising?

15 A. Unfortunately the utility billing system
16 is not -- our history and my direct experience
17 having dealt with a number of utilities around
18 the country have not been able to handle the
19 incentive marketing and the things that we would
20 want to offer the customers through their billing
21 system, be it by the number of lines and messages
22 that they would allow or the number of rate

1 codes, so that would not make that issue
2 disappear.

3 You would still, for example, if we were
4 to offer frequent flyer miles and we wanted to
5 put in, you know, how many miles they had accrued
6 to a given date, if we want to give -- this is
7 public -- if we want to give Home Depot
8 certificates or something of that nature, these
9 systems are not built to handle what we're
10 capable of doing within our own billing systems
11 that we've built.

12 Q. On the other hand, do you think it might
13 cause confusion amongst consumers if they receive
14 a bill from you and if they have a problem, they
15 wind up calling you instead of, say, North Shore
16 or Peoples Gas -- if they have a problem with
17 piping or lines or getting the gas, does that
18 create a problem?

19 A. No. We have direct experience that way.
20 We are the default provider behind Peco. We do
21 single bill those customers. We are the interim
22 pool for Atlanta Gas Light and we bill those

1 customers. We have not had those problems.

2 JUDGE ZABAN: I have nothing further.

3 JUDGE SHOWTIS: I just had a couple questions.

4 EXAMINATION

5 BY

6 JUDGE SHOWTIS:

7 Q. You've proposed some revisions to Rider
8 SBO that was presented in the rebuttal testimony
9 of the Company and I just want to get some
10 answers with regard to time frames.

11 What is your position with regard to
12 when Rider SBO should be implemented?

13 I know you did mention as part of a
14 compliance filing you'd like the Company to
15 present information concerning the recommended
16 embedded cost-based credit, but I wasn't sure
17 from your testimony what your recommendations
18 would be with regard to the implementation of
19 Rider SBO.

20 I think the Company talked about -- if I
21 recall, in the answer to one of my questions, I
22 think six months after the May 2nd date and I

1 think there was a proviso, another six months if
2 certain things -- well, I think there was a
3 minimum of six months, but I don't recall their
4 answer.

5 What is your position with regards to
6 implementation of a Rider SBO?

7 A. We certainly support the ability to single
8 bill our customers. In terms of timing I think
9 New Power feels that it is important that it be
10 done right. Before we enter a market we look at
11 the cost to enter that market and that would have
12 an impact to us whether or not we're entering it.

13 So I would say that it's more important
14 to us that there be the opportunity to single
15 bill as opposed to, you know, the six-month time
16 frame that was mentioned previously.

17 Q. I assume that if the Company, and by
18 "Company" I mean Peoples Gas or North Shore,
19 filed some information regarding an embedded
20 cost-based credit with regard to the single
21 billing option in the compliance filing that you
22 would want to have Staff and intervenors be given

1 the opportunity to comment or address that credit
2 with the possibility that there may have to be a
3 docket open to look at that issue; is that
4 correct?

5 A. A lot of assumptions there. As it relates
6 to them filing something, I would want them to
7 have file the credit with the tariff to start
8 with. Then, I leave it up to my attorneys to
9 determine what would be the timing under the
10 rules of practice and procedure to move it
11 forward; but if the credit on its face in their
12 tariff filing was sufficient to reflect those
13 costs, I wouldn't see any reason not to proceed.

14 Q. So, are you indicating by that answer that
15 if the Company presents information that
16 indicates there should be a credit of a certain
17 amount that that should go into place initially
18 and then changes to that can be debated later?
19 Is that what you're saying?

20 A. That's correct.

21 Q. It's also possible that they may present
22 information that says that there shouldn't be any

1 credit?

2 A. There is that possibility.

3 Q. That seems to be the position that they're
4 taking -- taken in testimony filed to date in
5 this proceeding; is that correct?

6 A. That's correct.

7 JUDGE SHOWTIS: That might be it. Just a
8 second. Okay. That's all I have.

9 JUDGE ZABAN: Anything further from this
10 witness?

11 Okay. Have a happy trip to the airport.

12 MR. HUCKMAN: The Staff of the Illinois
13 Commerce Commission is ready to proceed, although
14 I understand there may be some witnesses we may
15 be recalling. We can wait if necessary.

16 JUDGE ZABAN: I think it's necessary.

17 JUDGE SHOWTIS: Ms. Klyasheff, do you know if
18 you have any redirect on Mr. Wear? Have you
19 talked to him yet about that?

20 MS. KLYASHEFF: No redirect for Mr. Wear.

21 JUDGE SHOWTIS: And I asked for some
22 additional information from Ms. Egelhoff. Why

1 don't we just take a short break and we'll put --
2 I don't think this will take long and then we'll
3 go to Staff.
4 JUDGE ZABAN: We'll take a ten minute break.
5 (Recess taken.)
6 JUDGE ZABAN: We're recalling Ms. Egelhoff
7 again.
8 MS. KLYASHEFF: We're going to call
9 Ms. Egelhoff to respond to Judge Showtis'
10 questions to her.
11 JUDGE ZABAN: I have some questions for her as
12 well.
13 Before we begin, do you have any
14 redirect of her?
15 MS. KLYASHEFF: I will have redirect. I can
16 do that now if you wish?
17 JUDGE ZABAN: Why don't we start with that
18
19
20
21
22

1 REDIRECT EXAMINATION

2 BY

3 MS. KLYASHEFF:

4 Q. Ms. Egelhoff, in response to, I believe, a
5 question from Mr. Fein you answered a
6 hypothetical regarding if the utility were to, I
7 believe, go to a state that required daily
8 delivery calculations, you said the utility will
9 benefit from that.

10 When the Company assesses imbalance
11 charges under Rider AGG, does the Company retain
12 the records from those charges?

13 A. No.

14 Q. How are those charges treated by the
15 Company?

16 A. They're passed through the gas charge
17 pursuant to Rider 2.

18 Q. In response to another question from
19 Mr. Fein, he asked you if New Power Company and
20 Dominion Retail indicated that they were
21 interested in additional storage programs.

22 Is The New Power Company a current

1 participating supplier in the program?

2 A. No.

3 Q. Is Dominion currently participating in the
4 program?

5 A. No.

6 Q. Mr. Munson asked you if you would
7 characterize Peoples Gas' imbalance charge
8 proposal as more intolerant than that of Nicor
9 Gas.

10 If an SVT supplier delivers the required
11 daily delivery quantity as it may be adjusted by
12 the tolerance, does the SVT supplier pay any
13 imbalance charges under Peoples Gas' proposal?

14 A. No.

15 Q. Is the answer the same for North Shore?

16 A. Yes.

17 MS. KLYASHEFF: Thank you.

18 No further redirect.

19 JUDGE ZABAN: Any recross on the redirect?

20 MR. FEIN: No.

21 MR. MUNSON: Yes.

22 JUDGE ZABAN: Okay. Mr. Munson?

1 RE CROSS - EXAMINATION

2 BY

3 MR. MUNSON:

4 Q. Briefly, if I'm to understand, the
5 imbalanced tolerance by Peoples for a
6 non-critical day is a certain percentage. Is
7 that 3 percent?

8 A. The tolerance is 3 percent.

9 Q. The tolerance is 3 percent.

10 Am I right when I say that the tolerance
11 for Nicor Gas' program is 10 percent?

12 A. I believe so, yes.

13 MR. MUNSON: Okay. Nothing further.

14 EXAMINATION

15 BY

16 JUDGE ZABAN:

17 Q. Okay. Ms. Egelhoff, let's get back to my
18 question.

19 Originally I had asked you about -- Mr.
20 Iannello had proposed some changes to the program
21 and we were concerned about what effects these
22 might have in terms of the May 1st implementation

1 date, and you said that if we adopted all the
2 changes that would take us to about November; is
3 that correct?

4 A. Approximately six months from the date of
5 the order.

6 Q. From the date of the order?

7 A. (Nodding.)

8 Q. So that it might be less than November
9 some time.

10 A. Sure.

11 Q. And then we asked you which one of those
12 changes proposed by Mr. Iannello would have the
13 greatest effect in terms of delaying an
14 implementation date, and you said you were going
15 to go through those recommendations and inform us
16 of what your opinion is?

17 JUDGE SHOWTIS: And also if you can tell us if
18 there were certain changes that he recommended
19 that wouldn't affect the implementation date.

20 THE WITNESS: Well, these estimates are based
21 on the information available at this time and my
22 understanding of Mr. Iannello's proposal. As I

1 mentioned in my testimony, I'm not exactly sure
2 in all cases the specifics of his proposal; but
3 there are two things that I would say would not
4 delay the implementation and that would be the
5 amount of the daily imbalance cash-out, like
6 tiering. For example, he's proposed Nicor, you
7 know, something similar to what Customer Select
8 and Nicor Gas.

9 The other change that would not effect
10 the timing would be the amount of the tolerance.
11 We propose 3 percent and he's proposing 10
12 percent on the daily.

13 The carryforward or the cash-out volume
14 into future months as well the tolerance being
15 based on either usage in the winter months and
16 deliveries in the summer months, those would have
17 an impact; but not as significant as the next two
18 I'm about to talk -- I don't have specific times.

19 I couldn't give you specifically how
20 long it would take to implement those changes;
21 but they would have the next least effect on the
22 timing of implementing, but it would take more

1 time than May 1st, 2002, obviously .

2 EXAMINATION

3 BY

4 JUDGE SHOWTIS:

5 Q. I think in regards to those issues you're
6 saying there could be a delay, but not a real
7 significant one?

8 A. Right.

9 Q. Maybe a month or two weeks?

10 A. It would not take the full six months.

11 Q. A month or two or something like that?

12 A. Sure.

13 Q. Now, go ahead with the -- now, there's
14 some significant ones?

15 A. Right. There's two more. And these are
16 the ones that I'm not as clear on the specifics
17 of, but they do feel would take more time to
18 implement.

19 One is the heat-sensitive factor that
20 Mr. Iannello refers to. It would change our RDQ
21 and how we calculate that, required daily
22 delivery quantity. So that would be more

1 significant of a change.

2 And, also, if we would have to do some
3 kind of a storage true-up once the month is over
4 with, that would also be a more significant
5 change.

6 Q. Those are the two proposals that could
7 possibly lead to as much of a six-month delay in
8 the implementation date?

9 A. Yes. If it was just those two, again, I
10 would think that they would be done in less than
11 six months, but if it was everything here it
12 would take up to six months.

13 Q. So everything plus those two is six
14 months?

15 A. Right. Including those two.

16 Q. Those two alone would be something less
17 than six months?

18 A. They would be closer to the six months.
19 If we add Rider SBO to this, because we use some
20 of the same resources and same people, you know,
21 in programming these types of changes for Rider
22 SBOs as well as we would for these -- for

1 Mr. Iannello's proposals, I've been calling
2 them -- we had said that if we are required to
3 implement a Rider SBO, if it's done in the way
4 that the Company has proposed, it would take up
5 to six months to do. If we had to do all of
6 Mr. Iannello's proposals as well as the Rider SBO
7 as proposed by the Company, it could take up to a
8 year to do both because we're talking the same
9 resources to accomplish both changes.

10 Q. What about the -- what about taking into
11 account revisions to Rider SBO as recommended by
12 New Power Witness Merola?

13 A. I can identify the components that would
14 cause delay in implementation under Rider SBO
15 based on the intervenors proposal. That would be
16 the requirement that we would have to have two
17 different types of cash posting logics to keep
18 track of what was -- if we can't receive -- when
19 we receive payment from a supplier it has to be
20 applied only to current charges versus oldest.
21 That would cause a delay as well as having to
22 track arrearages -- differences between pre-Rider

1 SBO and during SBO.

2 Those are the two major differences as
3 far as implementation time between our proposal
4 and the intervenors proposal. If we would be
5 required to program for those with
6 Mr- -- all of Mr. Iannello's proposals, it would
7 take us up to 18 months and I had mentioned
8 before that if it was just Rider SBO intervenor
9 changes and not Mr. Iannello's proposals, it
10 would be up to one year.

11 Q. So if I understand your testimony
12 depending on the Commission's decisions with
13 regard to changes proposed by Mr. Iannello and
14 changes to the proposed Rider SBO, the
15 implementation could occur as early as six months
16 after the Commission's order and as long -- going
17 out as far as 18 months after the Commission's
18 order?

19 A. Yes.

20 JUDGE SHOWTIS: That's all.

21 JUDGE ZABAN: Any recross of this witness?

22 MR. FEIN: Brief.

1 RE CROSS - EXAMINATION

2 BY

3 MR. FEIN:

4 Q. Ms. Egelhoff, the estimated delays in
5 implementation of Rider SBO that you just
6 mentioned, those estimates that you just provided
7 to his honors, what was that based on?
8 Conversations with other Company employees?

9 A. Yes. And my experience with dealing with
10 it.

11 Q. And these changes that -- the two major
12 differences that you indicated, the different
13 posting logics and the arrearages that consist,
14 these -- those changes solely had to do with
15 tracking payments that are received in tracking
16 any past due arrearages that customers have
17 before they commence service under the Choices
18 For You Program?

19 A. Under the Rider SBO, yes.

20 Q. And you're not presenting here today a --
21 for lack of a better phrase, a stand alone
22 estimate on the time it would take to make those

1 two changes if, for example, Mr. Iannello's
2 proposals were not adopted by the Commission?

3 A. Actually, if I understand your --

4 Q. I know you said it would cause a delay,
5 but I didn't hear a number?

6 A. Up to one year if we had to do intervenor
7 proposal of Rider SBO without Mr. Iannello's
8 proposed changes.

9 Q. And it would be those two aspects of Rider
10 SBO that you've mentioned?

11 A. Right.

12 MR. FEIN: Thank you. Nothing further.

13 JUDGE ZABAN: Ms. Egelhoff, you are excused.

14 Do you have any further witnesses?

15 MS. KLYASHEFF: No, the Companies Witnesses
16 are all done.

17 JUDGE ZABAN: Staff?

18 MR. HUCKMAN: At this time Staff of the
19 Illinois Commerce Commission is prepared to
20 present its witnesses. The first witness that I
21 will be calling is Terrie L. McDonald, that's
22 T-e-r-r-i-e. Ms. McDonald is on the line. She

1 was on the line this morning when witnesses were
2 sworn, so she has been sworn as well.

3 TERRIE McDONALD,
4 called as a witness herein, having been
5 previously duly sworn, was examined and testified
6 as follows:

7 DIRECT EXAMINATION

8 BY

9 MR. HUCKMAN:

10 Q. First of all, Ms. McDonald, can you hear
11 me?

12 MR. HUCKMAN: And, Ms. Court Reporter, can you
13 hear Ms. McDonald?

14 THE REPORTER: Yes.

15 BY MR. HUCKMAN:

16 Q. Could you please state your name for the
17 record and spell your first and your last name.

18 A. My first name is Terrie L. McDonald,
19 T-e-r-r-i-e. The last name McDonald,
20 M-c-D-o-n-a-l-d.

21 Q. And by whom are you employed?

22 A. I am employed by the Illinois Commerce

1 Commission.

2 Q. What is your position with the Commerce
3 Commission?

4 A. I'm an economic analyst in the rates
5 department.

6 Q. I believe you have before you a document
7 for each of the two proceedings and in one
8 instance this document consists of a cover page,
9 table of contents. In the case of 01-0469, 13
10 pages of text in question and answer form.

11 In the instance of Docket 01-0470 that
12 is 15 pages of text in question and answer form
13 and the court reporter has marked both these
14 documents Illinois Commerce Commission Staff
15 Exhibit 2.0 in the respective dockets.

16 Were these documents prepared by you or
17 under your direction?

18 A. Yes, they were.

19 Q. And do these documents represent your
20 direct testimony in each of the respective
21 proceedings?

22 A. Yes, they do.

1 Q. Are there any changes that you would like
2 to make to these documents at this time?

3 A. No, I don't.

4 Q. If I were to ask you all the same
5 questions in these documents at this time, would
6 your answers be the same ones included in the
7 documents?

8 A. Yes.

9 MR. HUCKMAN: Thank you.

10 At this time I now submit, in both
11 proceedings, Illinois Commerce Commission Staff
12 Exhibit 2.0 for admittance into the record and
13 tender witness, Terrie L. McDonald for
14 cross-examination regarding these exhibits, if
15 any, the documents are identical to those
16 furnished on E-docket.

17 JUDGE ZABAN: Any objection?

18 JUDGE SHOWTIS: Just one clarification. I
19 don't think the reporter marked any exhibits as
20 Staff Exhibit 2.0. I believe that since there
21 are no changes to those exhibits as they appear
22 on E-docket, they will be admitted without the

1 necessity of the reporter marking a copy today.

2 MR. HUCKMAN: Okay.

3 JUDGE SHOWTIS: So Staff Exhibit 2.0 is
4 admitted in both, Docket 01-0469 and 01-0470.

5 (Whereupon, Staff
6 Exhibit No. 2.0 was
7 admitted into evidence as
8 of this date.)

9 JUDGE SHOWTIS: Does anyone have any
10 questions?

11 I just had one question and maybe two.

12 EXAMINATION

13 BY

14 JUDGE SHOWTIS:

15 Q. It's my understanding that you examined
16 the Company's assumptions and cost calculations
17 with regard to the cost to be recovered through
18 the various supplier charges and determined that
19 all of the proposed charges should be approved;
20 is that correct?

21 A. Yes, from the fact that the costs aren't
22 cost justified.

1 Q. Did you -- just so I understand, did you
2 reach a conclusion that it was appropriate to
3 recover those particular costs through the
4 applicable charges? In other words, there was
5 some testimony in this docket that, for example,
6 customer education costs should be recovered --

7 A. Yes.

8 Q. -- strictly through the administrative
9 fees to be charged to suppliers, but rather
10 recovered from all customers, so I guess I was
11 wondering if you have reached the conclusion that
12 it was appropriate to recover -- for example, 60
13 percent of fixed costs related to the customer
14 education function through the aggregation
15 charge? In other words, that was also part of
16 your analysis, that appropriate costs were being
17 recovered through those charges?

18 A. Yes.

19 JUDGE SHOWTIS: Okay. That's all I have.

20 JUDGE ZABAN: Anything further? Ms. McDonald,
21 you're excused. Thank you very much.

22 THE WITNESS: Thank you.

1 MR. HUCKMAN: At this time the Staff of the
2 Illinois Commerce Commission would call Dennis L.
3 Sweatman who was in the room and sworn this
4 morning.

5 DENNIS SWEATMAN,
6 called as a witness herein, having been
7 previously duly sworn, was examined and testified
8 as follows:

9 DIRECT EXAMINATION

10 BY

11 MR. HUCKMAN:

12 Q. Could you please state your name for the
13 record and spell your last name.

14 A. Dennis L. Sweatman, S-w-e-a-t-m-a-n.

15 Q. And by whom are you employed?

16 A. The Illinois Commerce Commission.

17 Q. And what is your position with the
18 Illinois Commerce Commission?

19 A. Senior rates analyst in the financial
20 analysis division.

21 Q. Mr. Sweatman, in each of the two
22 proceedings before us today, you have two

1 documents and the first of these documents
2 consists of a cover page, 11 pages of text in
3 question and answer form, one schedule and four
4 attachments and I understand that these items
5 have been marked Illinois Commerce Commission
6 Staff Exhibit 4.0 in each of the respective
7 proceedings.

8 And you have a second document in each
9 proceeding which consists of a cover page, 11
10 pages of text in question and answer form and one
11 schedule and I understand that these items have
12 been marked Illinois Commerce Commission Staff
13 Exhibit 7.0 in each of the respective
14 proceedings.

15 Were these documents prepared by you or
16 under your direction?

17 A. Yes.

18 Q. And do these documents constitute your
19 direct and rebuttal testimony in the respective
20 proceedings?

21 A. Yes, they do.

22 Q. Are there any changes you would like to

1 make to any of these documents at this time?

2 A. No.

3 Q. If I were to ask you all the same
4 questions in these documents at this time would
5 your answers be the same ones included in the
6 documents?

7 A. Yes.

8 MR. HUCKMAN: In each of these proceedings I
9 now submit Illinois Commerce Commission Staff
10 Exhibits 4.0 and 7.0 for admittance into the
11 record and tender witness, Dennis L. Sweatman,
12 for cross-examination regarding these exhibits,
13 if any.

14 I should also note that these exhibits
15 are in no way changed from those filed on the
16 Commission's electronic docketing system.

17 JUDGE SHOWTIS: Staff Exhibits 4.0 and 7.0 as
18 they appear on the Commissions E-docket system
19 are admitted into evidence in Docket 01-0469 and
20 01-0470.

21

22

1 (Whereupon, Staff
2 Exhibit Nos. 4.0 and 7.0 were
3 admitted into evidence as
4 of this date.)

5 JUDGE SHOWTIS: Is there any cross of
6 Mr. Sweatman?

7 CROSS-EXAMINATION

8 BY

9 MS. KLYASHEFF:

10 Q. Good afternoon, Mr. Sweatman. I'm Mary
11 Klyasheff appearing for Peoples Gas and North
12 Shore. On Pages 3 and 4 of your rebuttal
13 testimony, you refer to the Commissions decision
14 Nicor Gas' recent Customer Select case. Do you
15 agree that the Commission granted rehearing of
16 the order that you reference in your rebuttal
17 testimony?

18 A. Yes. It's my understanding that there is
19 a rehearing proceeding under way.

20 Q. Is it your understanding that one of the
21 issues on rehearing is the gas storage inventory
22 cost savings attributable to Customer Select?

1 A. It is my general understanding, that is
2 correct. Yes.

3 Q. Is it your understanding that the
4 Commission has not yet issued its order on
5 rehearing?

6 A. That is my understanding, yes.

7 Q. Would you agree that carrying costs
8 associated with gas storage inventory are costs
9 that Peoples Gas and North Shore recover in their
10 base rates?

11 A. The costs that the -- the carrying costs
12 that I looked at for this particular proceeding,
13 I would not agree are in base rates.

14 Q. Did you prepare a data response Item 1.2
15 for the Company?

16 A. That sounds right. Yes, I did.

17 Q. Did that data request ask, Does
18 Mr. Sweatman agree that carrying costs associated
19 with gas storage inventory or costs that North
20 Shore or Peoples Gas, as the case may be,
21 recovers through its base rates?

22 A. Yes.

1 Q. And was your response yes?

2 A. The first part of it was yes, yes.

3 Q. In preparing your recommendation in this
4 case, did you consider the price of gas reflected
5 in Peoples Gas' and North Shore's base rates to
6 be irrelevant for purposes of your
7 recommendation?

8 A. Yes. I concentrated on the market value,
9 market price of gas. I did not consider the cost
10 of gas in base rates.

11 Q. Would you agree that there is no mechanism
12 outside of a rate case for Peoples Gas or North
13 Shore to change the price of gas reflected in its
14 base rates?

15 MR. HUCKMAN: Sounds to me like we're asking
16 for a legal conclusion and I would object to the
17 question.

18 MS. KLYASHEFF: The witness has testified
19 about inventory being something that's recovered
20 through base rates. I agree that there is an
21 element of single issue rate making that has been
22 raised in this case, but I think the witness

1 himself has talked about what is or is not
2 recovered in base rates.

3 JUDGE ZABAN: If he knows, he can answer.

4 JUDGE SHOWTIS: I don't think he has to render
5 a legal position with regard to that. I say
6 putting aside any arguments about single issue
7 rate making, if you recall the question, why
8 don't you try to answer it.

9 THE WITNESS: Could you repeat the question.

10 JUDGE ZABAN: Ms. Court Reporter, can you
11 repeat the question.

12 (Record read as requested.)

13 THE WITNESS: Rather than answer yes or no it
14 appears that my testimony is related to the
15 storage carrying costs -- storage inventory
16 carrying costs and is not related to the cost of
17 gas that is passed through the gas charge; if
18 that clarifies.

19 As far as what I believe you're
20 referring to, the 11.1 cents, for example, yes, I
21 don't believe that would be changed between rate
22 case proceedings.

1 Q. And it is your recommendation that in
2 developing the credit that you have proposed that
3 a projected market price of gas should be used?

4 A. Yes.

5 Q. If during the course of this month Peoples
6 Gas or North Shore were to purchase gas for
7 injection into storage, is it your opinion that
8 that gas would be purchased at a market price?

9 A. Without knowing any more details I would
10 assume that that would be true, yes.

11 Q. Do you know whether that transaction, that
12 purchase of gas for injection into storage would
13 be reflected in the Company's base rates or in
14 its gas charge?

15 A. I'm not sure if it would be reflected in
16 either. My testimony doesn't go to that type of
17 analysis. I'm more interested in the purchase
18 price as one part of the formula to calculate the
19 savings credit.

20 Q. So is it your answer you do not know if
21 that particular purchase would be reflected in
22 gas charge or base rates?

1 A. Not without knowing more details.

2 Q. Would your answer be the same if, for
3 example, next month Peoples Gas or North Shore
4 withdrew gas from storage, do you know whether
5 that type of transaction would be reflected in
6 base rates or in a gas charge?

7 A. I think that certainly the purchase of
8 gas, the price of purchasing gas is reflected as
9 a passed through, it is in the gas charge.
10 However -- again, I'm not looking at that
11 particular mechanism in my testimony.

12 Q. If we could now turn to Page 8 of your
13 direct testimony. You identified three different
14 costs of borrowing that could be used to develop
15 current charge rates, one of these is the
16 short-term interest rate. What constitutes
17 short-term as you used those words?

18 A. I didn't really try to define short-term
19 versus long-term. I used those two terms,
20 short-and long as examples of alternatives. I
21 didn't really specify. I don't really have a set
22 definition of short-term.

1 Q. Does your testimony make any judgements or
2 assumptions about the Company's use of short-term
3 borrowing to purchase assets?

4 A. Because my testimony concludes that the
5 approved rate of return should be the rate used
6 for the carrying charge rate, I do not make a
7 judgement regarding short-term purchases.

8 Q. And your answer would be the same with
9 respect to long-term borrowing?

10 A. Yes, in that regard.

11 Q. Also. On Page 8 you describe the carrying
12 charge rate for gas as the cost of borrowing
13 money to buy and store gas until it is sold to
14 customers. Would you agree with that description
15 of your testimony?

16 A. Can I ask -- did you say the carrying
17 charge rate is defined as that? Is that what you
18 said?

19 Q. I believe so.

20 A. Then I would agree that's what I said.

21 Q. In your opinion, would the cost of
22 borrowing money vary based on the time period

1 between when gas is bought and when it is sold?

2 A. I would imagine that in the marketplace,
3 yes, the rates would vary.

4 Q. If gas were bought in the summer months
5 and sold in the immediately following winter
6 months, could that, in your opinion, produce a
7 different cost of borrowing than if the gas were
8 bought in the summer months and not disposed of
9 for, say, three years?

10 A. Again, in terms of my analysis, that
11 wouldn't make any difference because I'm using a
12 different rate, but I would agree, that, yes,
13 they would vary.

14 Q. Please refer to Page 6 of your rebuttal
15 testimony. You refer to the Company's allowed
16 rate of return as a documented bench mark, is
17 that correct?

18 A. That's correct.

19 Q. Do you agree that there are published
20 sources of information about short-term interest
21 rates?

22 A. Yes.

1 Q. Are there also such sources for long-term
2 interest rates?

3 A. I would imagine so, yes.

4 Q. And, finally, if you could refer to Page
5 10 of your rebuttal testimony, at least for
6 Peoples Gas it's on Page 10. Am I correct that
7 it is your recommendation that the companies
8 include in their tariff a formula for determining
9 the credit?

10 A. Yes.

11 Q. And would is that formula include a
12 specified number of days of storage?

13 A. One component of the formula would be --
14 yes, the number of bank days is calculated, yes.

15 Q. And for Peoples Gas, I believe your
16 recommendation was the current number of 24
17 however, at this point, if Mr. Iannello's
18 proposals was adopted it would be 22?

19 A. That's correct.

20 Q. And for North Shore I believe those
21 numbers were 25 and 23?

22 A. That's correct.

1 Q. Do you agree that each year the companies
2 make filings to revise the number of days of
3 storage available to transportation customers?

4 A. That is my understanding, yes.

5 Q. Is it also your understanding that the
6 Company's have proposed that those filings would
7 affect the number of days of storage available
8 under the SVT supplier program?

9 A. To the extent that they were referenced in
10 those tariffs, yes.

11 Q. Would your formula take into account this
12 annual change?

13 A. Yes. I believe I recommend that the
14 components of the formula should be updated at
15 least annually.

16 Q. And you include in that the number of
17 storage days as well as the components you would
18 update?

19 A. Yes.

20 MR. KLYASHEFF: Thank you. I have no further
21 questions.

22 JUDGE ZABAN: Anything further for

1 Mr. Sweatman?

2 JUDGE SHOWTIS: I just have one question.

3 EXAMINATION

4 BY

5 JUDGE SHOWTIS:

6 Q. Ms. Klyasheff referred to a data request
7 response.

8 A. Yes.

9 Q. And apparently was trying to show that the
10 answer that you gave today in response to her
11 question was different than what you indicated in
12 the data request response and I believe you
13 stated that there was -- some other language
14 after your answer -- would you just read for the
15 record the answer and then your complete
16 response.

17 A. My response was, yes.

18 Q. Just go back. Read the question first.

19 A. On Page 4 of his direct testimony,
20 Mr. Sweatman testified that Peoples Gas is likely
21 to realize savings associated with reduced gas
22 storage inventory requirements in connection with

1 implementation of the program. Does Mr. Sweatman
2 agree that carrying costs associated with gas
3 storage inventory are costs that Peoples Gas
4 recovers through its base rates? If not, please
5 explain your answer fully and provide all
6 supporting documentation.

7 My response was yes. However, under the
8 Company's proposed expansion of the Choices For
9 You Program, incremental costs associated with
10 the program would be recovered without being off
11 set by incremental savings associated with the
12 program.

13 Q. And I believe in the answer to that same
14 question today when she asked you it, your answer
15 was no, is that correct?

16 Let me put it this way, do you believe
17 that that's the appropriate answer to that
18 question? The one that's specified in the data
19 request response.

20 A. I believe at the time this was an
21 inadequate answer. I think since the time this
22 was developed, the distinction between base rates

1 and incremental costs and revenues associated
2 with the program and what Staff was
3 recommending -- what I'm recommending which
4 applies to gas that isn't necessary -- the price
5 of gas that isn't necessarily passed through the
6 gas charge has been made. I think that
7 distinction now is made. When I first -- when I
8 did this data request it probably hadn't been
9 developed yet fully, so certainly there is a cost
10 of gas that is passed through. I think that's
11 why I said yes. However, I'm not looking at that
12 particular cost in my analysis.

13 JUDGE SHOWTIS: That's all I have.

14 JUDGE ZABAN: Anything further?

15 Andrew, do you have any redirect of
16 Mr. Sweatman?

17 MR. HUCKMAN: One moment, please.

18 May we take a moment?

19 (Discussion off the record.)

20 JUDGE ZABAN: Okay. Mr. Munson, you have a
21 witness that you're going to present?

22 MR. MUNSON: Yes. I have signed affidavits

1 and I just called and told him that he didn't
2 have to appear.

3 JUDGE ZABAN: Mr. Butler and everybody has
4 been apprised of Mr. Butler and nobody has
5 cross-examination for Mr. Butler, is that
6 correct?

7 MR. MUNSON: That's my understanding.

8 JUDGE ZABAN: And you have -- his testimony
9 has previously been filed on E-docket?

10 MR. MUNSON: Yes, it has.

11 JUDGE ZABAN: And you have an affidavit --

12 MR. MUNSON: Yes. Causing it to be prepared
13 with no changes.

14 JUDGE ZABAN: Okay. And has that affidavit
15 been filed on E-docket?

16 MR. MUNSON: No, it has not.

17 JUDGE ZABAN: Okay. You want to present that
18 to the Court Reporter so she can mark it for the
19 record?

20 MR. MUNSON: Yes.

21 JUDGE ZABAN: Why don't you just identify for
22 the record the exhibit number on Mr. Butler's

1 testimony.

2 MR. MUNSON: Mr. Butler filed rebuttal
3 testimony in this proceeding in both dockets,
4 01-0469 and 01-0470. He filed 14 pages in each,
5 Dominion Retail Exhibit 1.0 and he also filed his
6 Curriculum Vitae which is Exhibit 1.1 in each
7 docket.

8 JUDGE SHOWTIS: Those are both on E-docket?

9 MR. MUNSON: Those are -- yes, that's correct.

10 (Whereupon, Domini on
11 Exhibit Nos. 1.0 and 1.1 were
12 marked for identification
13 as of this date.)

14 JUDGE ZABAN: There being no objection, the
15 testimony of Mr. Butter will be admitted into the
16 record.

17 (Whereupon, Dominion
18 Exhibit Nos. 1.0 and 1.1 were
19 admitted into evidence as
20 of this date.)

21 MS. HUIZENGA: MidAmerican previously filed --

22 JUDGE SHOWTIS: Wait a minute. What number

1 have you given to these affidavits, then, 1.2?

2 MR. MUNSON: Yes.

3 JUDGE SHOWTIS: Mr. Butlers affidavits are
4 admitted into evidence as Dominion Retail
5 Exhibits 1.2 in both Dockets 01-0469 and 01-0470.

6 (Whereupon, Dominion
7 Exhibit No. 1.2 was
8 admitted into evidence as
9 of this date.)

10 JUDGE SHOWTIS: And just so the record is
11 clear, Dominion Retail Exhibits 1.0 and 1.1 are
12 admitted as they appear on the E-docket system.

13 JUDGE ZABAN: Okay. You can proceed.

14 MS. HUIZENGA: MidAmerican previously filed
15 via E-Docket the rebuttal testimony of George
16 Phillips. We have also filed, via E-docket, the
17 affidavit of Mr. Phillips this morning, because
18 Mr. Phillips testimony was not marked as an
19 exhibit, I gave it to the court reporter a copy
20 of his testimony marked, Exhibit No. 2 which she
21 has at the moment since the E-docket was not --
22 is not so marked. MidAmerican moves that

1 Mr. Phillips testimony be entered into the record
2 via affidavit. It was previously filed affidavit
3 01-0470.

4 MR. FEIN: What was the exhibit number?

5 MS. HUIZENGA: Exhibit No. 2.

6 JUDGE SHOWTIS: This affidavit does it have a
7 number on E-docket?

8 MS. HUIZENGA: No, it didn't but we can make
9 it 2.1. I gave her a copy of that.

10 (Whereupon, MEC
11 Exhibit Nos. 1.0, 1.1,
12 2.0 and 2.1 were
13 marked for identification
14 as of this date.)

15 MS. HUIZENGA: MidAmerican had previously
16 filed via E-docket the rebuttal testimony of
17 Greta Night in 01-0470. Those -- we have also
18 previously filed an affidavit for Ms. Night.
19 These two pieces have now been marked, the
20 rebuttal testimony is MEC Exhibit No. 1.0 and the
21 affidavit is MEC Exhibit 1.1. MidAmerican moves
22 their admission via affidavit.

1 JUDGE ZABAN: Any objection?

2 JUDGE SHOWTIS: The rebuttal testimony of
3 Ms. Night is admitted as MEC Exhibit 1.0. Her
4 affidavit is admitted as MEC Exhibit 1.1. The
5 rebuttal testimony of Mr. Phillips, just so the
6 record is clear, is admitted as MEC Exhibit 2.0
7 and his affidavit is admitted as MEC Exhibit 2.1.
8 The reporter has marked the copy because I
9 believe those documents as they appeared on
10 E-docket did not have a number associated with
11 them.

12 (Whereupon, MEC
13 Exhibit Nos. 1.0, 1.1,
14 2.0 and 2.1 were
15 admitted into evidence as
16 of this date.)

17 JUDGE SHOWTIS: You may proceed.

18 MR. REVETHIS: Yes, your Honor. We at this
19 time would, if it pleases you, we would call
20 Charles Iannello. I believe Mr. Iannello has
21 been previously sworn.

22 JUDGE SHOWTIS: I think he was in the room.

1 CHARLES IANNELLO,
2 called as a witness herein, having been
3 previously duly sworn, was examined and testified
4 as follows:

5 DIRECT EXAMINATION

6 BY

7 MR. REVETHIS:

8 Q. Sir, would you kindly state your name,
9 title and business address for the record, if you
10 would, please.

11 A. My name is Charles Christian Salvatore
12 Iannello. My position is economic analyst in the
13 policy program of the energy division at the
14 Illinois Commerce Commission.

15 Q. You have before you, sir, a document which
16 has been previously marked for identification as
17 ICC Staff Exhibit 1.0 entitled, the Direct
18 Testimony of Charles C.S. Iannello in the North
19 Shore Gas Company Docket, 01-0469 dated
20 September 5, 2001, consisting of 32 pages of
21 narrative testimony along with Attachment A
22 consisting of 10 pages and Attachment B

1 consisting of 1 page?

2 A. Yes.

3 Q. Do you also have before you a document
4 which has also been previously marked for
5 purposes of identification as ICC Staff Exhibit
6 No. 5 which is entitled, the Rebuttal Testimony
7 of Charles C.S. Iannello also on the North Shore
8 Gas Company, Docket No. 01-0469 dated October 4,
9 2001?

10 A. Yes.

11 Q. And you also have before you, sir, a
12 document which has about previously been marked
13 for purposes of identification as ICC Staff
14 Exhibit 1.0 entitled, the Direct Testimony of
15 Charles C.S. Iannello in the Peoples Gas Light
16 and Coke Company, Docket No. 01-0470 dated
17 September 5, 2001, along with accompanying
18 exhibits?

19 A. Yes.

20 Q. And do you also have before you a docket
21 which has previously been marked for purposes of
22 identification as ICC Staff Exhibit 5.0 entitled

1 the Rebuttal Testimony of Charles C.S. Iannello
2 in the Peoples Gas Light and Coke Company, Docket
3 No. 01-0470 dated October 4, 2001?

4 A. Yes.

5 Q. I ask you, sir, if the testimony and
6 accompanying attachments and exhibits were
7 prepared by you or under your direction and
8 control, sir?

9 A. Yes, they were.

10 Q. If I were to ask you exactly the same
11 questions as set forth therein in your prepared
12 narrative testimonies would you, in fact, here
13 and now give exactly the same responses?

14 A. Yes.

15 Q. Is there -- are there any additions,
16 modifications or corrections you wish to make to
17 any portion of your file here today, sir?

18 A. No.

19 Q. Is it your intent that this be your sworn
20 direct rebuttal testimony in these two dockets,
21 sir?

22 A. Yes.

1 MR. REVETHIS: Your Honors, we at this time
2 ask for the admission into evidence of Illinois
3 Commerce Commission Exhibits 1.0 and 5.0 in the
4 Docket 01-0469 and also Exhibits 1 and Exhibit 5
5 in the Peoples Gas Light and Coke, Docket 01-0470
6 at this time. And we also at this time offer the
7 witness for cross-examination.

8 JUDGE SHOWTIS: Just so the record's clear,
9 were there two separate versions of Staff Exhibit
10 1.0, one being confidential and proprietary and
11 one being -- non proprietary?

12 MR. REVETHIS: That's correct and they were
13 filed on E-docket.

14 JUDGE SHOWTIS: Obviously the confidential
15 exhibit -- well, on the E-docket system is not
16 available to the public.

17 MR. REVETHIS: That's correct and if there's
18 any cross-examination regarding that material, we
19 will do our best to warn the proceedings so we
20 can go in camera if that that's necessary.

21 JUDGE SHOWTIS: Staff Exhibits 1.0 and 5.0 are
22 admitted into evidence in both Dockets 01-0469

1 and 01-0470 as they appear on E-docket. Just so
2 the record's again clear, there is a separate
3 confidential Staff Exhibit 1.0 in both of those
4 dockets.

5 (Whereupon, Staff
6 Exhibit No. 1.0 , 5.0, were
7 admitted into evidence as
8 of this date.)

9 JUDGE SHOWTIS: Parties may cross.

10 CROSS-EXAMINATION

11 BY

12 MS. KLYASHEFF:

13 Q. Good afternoon, Mr. Iannello. As you know
14 doubt have been stuck in this room this
15 afternoon, I'm Mary Klyasheff, I represent
16 Peoples Gas and North Shore. If you could please
17 refer to Page 14 of your Peoples Gas direct
18 testimony.

19 Do you agree that all other things are
20 not equal with respect to Peoples Gas' and Nicor
21 Gas' systems and programs?

22 A. I'm not sure that's what I'm trying to say

1 there. I guess all other things being equal is a
2 little redundant just because I'm saying
3 uniformity across the two programs which would
4 mean having the same thing across both programs,
5 the same tariff provisions would be beneficial.
6 So I'm saying, I guess, all other things being
7 equal and uniformity are essentially the same
8 thing. I could almost eliminate that phrase
9 right there, "all other things being equal." I
10 don't think it's necessary, but if you go on, it
11 would still stand as uniformity across the two
12 programs and what I was trying to say was,
13 looking at those tariff provisions that I
14 discussed in my testimony where I recommended
15 that they be similar to Nicor's. I am testifying
16 that it would be beneficial if they're the same
17 across programs.

18 Q. Did you respond to a data request from the
19 Company Item No. 1.6?

20 A. Yes. Well, I'm not sure. I actually have
21 all of my data request responses in front of me
22 here, so if I could refer to those. I have a

1 data request response 1.6.

2 Q. Is the data request on Page 11 of his
3 direct testimony, Mr. Iannello stated, quote, All
4 other things being equal, uniformity across the
5 two programs create efficiencies that encourage
6 suppliers to participate in both programs, closed
7 quote.

8 Sub question A, is it Mr. Iannello's
9 position that all other things are equal with
10 respect to North Shores and Nicor Gas' systems
11 that support the programs? It was a combo
12 question for Peoples Gas. Please explain fully
13 and provide all supporting documentation.

14 Was your response to that question, no,
15 Mr. Iannello does not believe that all other
16 things are equal about between the two companies
17 systems and programs, Mr. Iannello believes that
18 uniformity in and of itself will create
19 efficiencies to the benefit of all market
20 participates. Was that accurate?

21 A. Yes.

22 Q. Do you no longer believe that?

1 A. I -- if you go back to my testimony I
2 don't say all other things being equal between
3 Nicor Gas and Peoples or Nicor Gas and North
4 Shore. I just make a statement all other things
5 being equal and like I said, it could be
6 eliminated because it's redundant, but here
7 you're asking me if all other things are equal in
8 this data request with respect to Peoples Gas and
9 Nicor Gas' systems that support the programs and
10 I'm answering, no. I'm not claiming that in my
11 testimony.

12 MS. KLYASHEFF: I move to strike the witness es
13 answer as nonresponsive. My question is whether
14 or not he still believes what he said in the data
15 response.

16 MR. REVETHIS: It most certainly is
17 responsive. He's clarifying the -- what appears
18 to be a misunderstanding between his response to
19 data request 1.6 and his narrative testimony.

20 JUDGE SHOWTIS: Well, it's my understanding
21 based on his answer that he stands by his
22 response to the particular data request and also

1 stands by his answer that he gave you today.

2 THE WITNESS: That's correct.

3 BY MS. KLYASHEFF:

4 Q. Do you agree that it is possible the
5 differences between the gas supply and capacity
6 portfolios of the Peoples Gas and Nicor Gas could
7 provide a basis for program differences?

8 A. I can't comment on that without knowing
9 what program differences you're referring to. I
10 would suppose that -- I think I even testified
11 that there are some program differences that
12 might -- I mean, there are some -- can you repeat
13 the question please?

14 Q. Do you agree that it is possible the
15 differences between the gas supply and capacity
16 portfolios of Peoples Gas and Nicor Gas could
17 provide a basis for program differences?

18 A. Yeah, I wouldn't be able to answer that.
19 I'd have to know which differences we're talking
20 about. I would imagine that, yes, they may or
21 they may not. It depends on what aspects of the
22 program you're talking about and I think I

1 testified to that -- I did testify to that.

2 Q. Would your answer be the same for North
3 Shore?

4 A. Yes.

5 Q. Do you agree that the storage service
6 provided to SVT suppliers is supported by the
7 storage services that are purchased by the
8 Company, and for Peoples Gas both services that
9 purchased and are owned by the Company?

10 A. I'm sorry. Could you repeat the question
11 again?

12 Q. Do you agree that the storage services
13 provided to SVT suppliers is supported by the
14 storage services that are purchased by the
15 Company and for Peoples Gas, both purchased and
16 owned by the Company?

17 A. Not necessarily. I mean, it could be
18 possible that SVT suppliers could purchase system
19 off-storage that's independent of storage that's
20 recovered through the Company's base rates and
21 gas charges; but the services that the Company
22 offers, the banking and the -- whatever,

1 basically, the allocated storage through this
2 tariff here, yes, is supported by storage and
3 on-system and off-system storage, no notice
4 service and pipeline transportation that
5 accompanies that.

6 Q. Is it correct that the service flexibility
7 of the purchased storage services are subject to
8 tariff and contractual limitations?

9 A. That's correct.

10 Q. Is it correct that the flexibility
11 associated with Peoples Gas' own storage field is
12 subject to physical constraints?

13 A. Yes.

14 Q. With respect to your proposed heating
15 degree day adjustment to the required daily
16 delivery quantity, if Peoples Gas or North Shore
17 were to vary in storage withdrawals for SVT
18 suppliers in the manner that you proposed, do you
19 agree that this would affect the withdrawals
20 available for sales customers?

21 A. I would say that it's possible that it
22 could affect what's available to sales customers.

1 Q. Does support for your proposed 10 percent
2 daily tolerance include the Commissions approval
3 for such a tolerance for Nicor Gas?

4 A. Pardon me?

5 Q. Does support for your proposed 10 percent
6 daily tolerance include the Commissions approval
7 of such a tolerance in recent Nicor Gas
8 proceedings?

9 A. Yes.

10 Q. Do you know whether the level of tolerance
11 was a contested issue in that proceeding?

12 A. I would say that --

13 MR. REVETHIS: If you know.

14 THE WITNESS: -- yes the level of tolerance
15 was a contested issue. I believe that
16 Mr. Mierzwa, who was sponsored by consumer and
17 governmental intervenors recommended more
18 flexibility with use of storage, so, in that
19 sense, he was recommending that suppliers have
20 more flexibility and to the extent that
21 flexibility, although I don't necessarily agree
22 that all -- the delivery tolerance provides

1 suppliers with the type of flexibility that
2 Mr. Mierzwa testified about. He was nevertheless
3 testifying about providing suppliers with more
4 storage flexibility. So it was a contested
5 issue. He wanted to essentially eliminate the
6 delivery tolerances and require the Company to
7 provide parameters for which they could operate
8 storage as they pleased.

9 Q. Is it your understanding that Nicor Gas'
10 proposal to offer a 10 percent tolerance was
11 based on Nicor Gas' operational and reliability
12 concerns?

13 A. Yes.

14 Q. Do you agree that while Peoples Gas and
15 Nicor Gas may use some supplying capacity assets
16 that are comparable, other supplying capacity
17 assets are not comparable?

18 A. I can't answer that without knowing
19 specifically which assets you're comparing.

20 Q. Do you have your response to Company data
21 request 1.15 B?

22 A. Yes.

1 Q. Does that question state, Is it
2 Mr. Iannello's opinion that Peoples Gas has
3 assets comparable to those available to Nicor Gas
4 to support a daily delivery tolerance? Please
5 explain fully and provide all supporting
6 documentation.

7 Response: Mr. Iannello believes that
8 some of the Company's assets are comparable to
9 the assets available to Nicor Gas to support a
10 daily delivery tolerance. For example, both
11 Nicor Gas and the Company have contracted for no
12 notice service on NGPL. Other assets are not
13 necessarily comparable. For example, Company
14 contracts for leased storage services while Nicor
15 Gas uses its on-system storage.

16 Did I read that response correctly?

17 A. Yes.

18 Q. Is it your response today?

19 A. Yes.

20 Q. Would your answer be the same for North
21 Shore?

22 A. Yes, I believe it is. I'd have to check

1 that for sure though. Let me just see if there's
2 some differences. I just want to make sure that
3 my answers are identical for both data request
4 responses. Yes.

5 Q. Do you recommended a 2 percent monthly
6 tolerance. I'm going to ask you a series of
7 questions about the monthly tolerance
8 recommendation that are the same as those that we
9 just talked about for the daily tolerance. Would
10 your answers be the same?

11 A. I'd have to know how far back that series
12 of questions went really, I guess.

13 Q. Does support for your proposed 2 percent
14 daily -- monthly tolerance include the
15 Commissions approval of such a tolerance in the
16 Nicor Gas proceeding?

17 A. That's one thing that I used as support
18 for my recommendation.

19 Q. Do you know whether the level of monthly
20 tolerance was a contested issue in the Nicor Gas
21 proceeding?

22 MR. REVETHIS: Whether it was or wasn't, I'm

1 not certain it's relevant if it's part of the
2 order in the docket. If you want to explore what
3 specifically --

4 MS. KLYASHEFF: I'll withdraw the question.

5 JUDGE SHOWTIS: I agree. Unless an issue is
6 being --

7 JUDGE ZABAN: It's withdrawn.

8 JUDGE SHOWTIS: Right. But I don't think
9 there should be any similar questions unless an
10 issue is being reconsidered as part of the
11 rehearing because Commission -- the Commissions
12 reached a final decision with regard to an issue.
13 I don't have see the necessity of asking whether
14 that was a contested issue or not. If it's on
15 rehearing, well that could be pointed out.

16 JUDGE ZABAN: Yeah, but the problem is here,
17 the parties could have agreed to it, okay, so it
18 isn't relevant because she withdrew.

19 BY MS. KLYASHEFF:

20 Q. Is it your understanding that Natural Gas
21 Pipeline Company applies tolerances to individual
22 shippers on its system?

1 A. Yes.

2 Q. Do you know if this is the case for other
3 pipelines serving Peoples Gas?

4 A. It is not the case. It's my understanding
5 that it's not the case.

6 Q. Do you know whether Natural would
7 aggregate Nicor Gas deliveries with Peoples Gas
8 deliveries to determine tolerance?

9 A. I didn't hear the first part of the
10 question. Can you repeat it, please?

11 Q. Do you know whether Natural would
12 aggregate Nicor Gas deliveries with Peoples Gas
13 deliveries to determine the applicable tolerance?

14 A. It's my understanding that they would not.

15 Q. Do you know whether Truckline Gas Company
16 would do so?

17 A. Not to my knowledge they would not, I
18 don't believe.

19 Q. A & R Pipeline Company?

20 A. No.

21 Q. Page 24 of your Peoples Gas direct
22 testimony. You refer to an imbalance being

1 carried over from one month to the next; is that
2 correct?

3 A. Yes.

4 Q. Does that mean, for example, that an
5 October imbalance would be carried into and
6 resolved in November?

7 A. No. Well, that's what it means there, but
8 it's my understanding that administratively that
9 wouldn't -- that would be infeasible because the
10 month end imbalance wouldn't be determined until
11 slightly after the end of the month, so the
12 imbalance would have to be carried over to -- for
13 example, if the imbalance was in October, the
14 carry-over would go to December.

15 Q. Do you agree that Peoples Gas has proposed
16 monthly cash-out uses prices from the month in
17 which the imbalance occurred?

18 A. Yes.

19 Q. Do you agree that the prices in the month
20 into which the imbalance may be carried are
21 likely to differ from the month in which the
22 imbalance occurred?

1 A. Yes.

2 Q. With reference to Page 25 of your Peoples
3 Gas testimony you recommended a \$2.00 per therm
4 of MDQ payment assurance, is that correct?

5 A. Yes.

6 Q. Is a basis for your recommendation the
7 fact that the Commission approved this assurance
8 in the recent Nicor Gas case?

9 A. That is a basis for my conclusion, yes.

10 Q. Is it correct that you do not have any
11 analyses or calculations in support of your
12 direct testimony recommending this level of
13 payment assurance for Peoples Gas?

14 A. I believe that Nicor's performance
15 assurance was \$4.00 per therm up until about two
16 years ago and a filed to reduce it to \$2.00 per
17 therm for group MDQ or group peak demand,
18 essentially, that was over a certain quantity and
19 then they worked with Staff and Staff performed
20 some analysis and the end result of that was an
21 agreement between Nicor and Peoples to reduce
22 the -- I'm sorry, between Nicor and Staff to

1 reduce the charge to \$2.00 per therm for all
2 group MDQ.

3 Q. Do you have a copy of your response to
4 Company data request 1.29?

5 A. Yes.

6 Q. Does that request state on Page 25 of his
7 direct testimony, Mr. Iannello recommended that
8 the SVT supplier's payment assurance be set at
9 \$2.00 per therm of MDQ. Please provide all
10 documentation, analyses and calculations in
11 support of the \$2.00 amount.

12 Response: Mr. Iannello recommended a
13 payment assurance of \$2.00 per therm of MDQ
14 because this is the payment assurance that was
15 approved by the Commission in Docket Numbers
16 00-0620/00-0621 consolidated.

17 Did I read that correctly?

18 A. Yes, that's correct.

19 Q. Was your answer the same for North Shore?

20 A. Yes.

21 MS. KLYASHEFF: And I'm not allowed to ask my
22 last question, so I have no further questions.

1 Thank you.

2 JUDGE SHOWTIS: You could try.

3 MR. KELTER: Object to that comment.

4 JUDGE SHOWTIS: I might re- -- if it has to do
5 with whether something was contested or not, I'll
6 allow you to ask it.

7 MS. KLYASHEFF: I will handle it in briefs.

8 JUDGE ZABAN: It's a matter of public record,
9 so it is a proper argument in briefs.

10 JUDGE SHOWTIS: Right. And actually when I
11 think about it whether something was contested or
12 not probably does have some relevance. So my
13 prior comments were probably wrong when I said
14 that doesn't have any relevance.

15 Is there anything further of
16 Mr. Iannello?

17 MR. MUNSON: Yes.

18 JUDGE ZABAN: Okay. Mr. Munson, keeping in
19 mind that Mr. Cohen is waiting.

20

21

22

1 CROSS EXAMINATION

2 BY

3 MR. MUNSON:

4 Q. Would you agree with me that suppliers
5 that will be serving customers in Nicor's
6 Customer Select Program are likely to be the same
7 or similar suppliers that will serve customers in
8 Peoples program?

9 A. Yes.

10 Q. Now, am I to understand your testimony
11 that you are advocating increasing the tolerance
12 level to Nicor's -- similar to Nicor's program to
13 a 10 percent tolerance level; is that correct?

14 A. That's one thing that I advocated. I
15 also -- in the same vain said I would be open
16 to -- let's see, I have to refer to my direct
17 testimony, but I think I said I would be open to
18 providing suppliers with more flexibility if
19 anybody had such a proposal and I believe that
20 two suppliers -- actually, Dominion Retail and
21 Mr. Mierzwa, who is testifying on behalf of
22 consumer and governmental intervenors and

1 Merola -- Becky Merola, who testified on behalf
2 of The New Power Company all recommended that
3 suppliers be given more flexibility over storage.
4 Some people, basically, said that they should --
5 they recommend that the Company assigned
6 parameters to the use of storage.

7 And so I said I was open to proposals of
8 that nature and -- but my main proposal where
9 I -- I also proposed this proposal which was 10
10 percent delivery tolerances which is similar to
11 Nicor's program.

12 Q. Okay. Let's move on to another area.
13 There has been much discussion regarding the use
14 of setting appropriate enrollment limits in this
15 proceeding which I think you addressed in your
16 testimony and I believe the level for the first
17 year for Rate 1 customers is approximately at 9
18 percent for the first year. I mean, would you
19 agree that that's approximately what Peoples has
20 set the enrollment limit at?

21 A. Yes.

22 Q. Now, would you agree with me that the

1 Company's use of gas supply considerations was
2 tantamount in setting appropriate enrollment
3 limits for the program?

4 A. Can you repeat the question again, please?

5 Q. Sure. Do you believe that the Company's
6 use of gas supply considerations was considered
7 in setting appropriate enrollment limits?

8 A. I assume by "gas supply" you mean all
9 gas-type charges that flow through the purchase
10 gas adjustment which would include storage, no
11 notice service, pipeline transportation and
12 commodity supply. Their testimony is that it was
13 set in that way, but I don't necessarily agree
14 with that testimony. We've talked to -- there's
15 been some discussion of when contracts expire as
16 to -- this has some affect on what enrollment
17 limits they need to set, but there was no
18 discussion of the ability to release capacity
19 into the secondary market which would allow them
20 to recover the costs of those assets.

21 So, I guess, their claim is that that's
22 why they set the enrollment limits, but I didn't

1 see any analysis for that and I think that there
2 are ways to -- that they could potentially
3 mitigate those supply concerns and I -- most of
4 the contracts, like some contracts expire within
5 a year, so maybe other contracts may expire in
6 two or three years. I don't know exactly when
7 all the contracts expire, but these are all
8 things that should be factored in.

9 Q. Let's stop there for a second. I think
10 we're wandering off. Let's -- and no, I
11 appreciate your answer on that, but, Peoples
12 asked you whether -- as a follow up to their
13 question -- whether you knew of any differences
14 between Nicor's and Peoples' system; is that
15 correct?

16 A. Yes.

17 Q. To your knowledge, are there differences
18 between Peoples and North Shore's system as well?

19 A. Yes.

20 Q. Is it correct that Peoples and North Shore
21 have filed practically identical programs and
22 tariffs in this proceeding?

1 A. Yes.

2 Q. Would you agree with me that increasing
3 the tolerances to plus or minus 10 percent would
4 provide suppliers greater flexibility in the
5 products and services it -- they would offer the
6 customers?

7 A. I would say that that part of my proposal
8 offers them somewhat greater flexibility than 3
9 percent. Although -- because there's a true-up
10 at the end of the month where their --
11 deliveries -- their actual deliveries must be
12 within plus or minus one percent -- their net
13 actual deliveries must be at plus or minus 1
14 percent of the required delivery that the Company
15 estimates on a daily basis, the sum of those,
16 that it doesn't actually provide that much
17 flexibility. In other words, they can swing 10
18 percent on one day or the other, but as the
19 course of the month goes on, they have to make
20 that up on the other side, so they couldn't just
21 consistently use the flexibility of storage by,
22 you know, going 10 percent over for several days

1 in a row. Eventually they have to catch up in
2 the end. The real flexibility would be provided
3 through --

4 MR. MUNSON: I'm going to object and state
5 that that's nonresponsive and move to strike
6 pretty much his answer to that question. And let
7 me try him again and see if we can connect here.

8 JUDGE ZABAN: Mr. Revethis?

9 MR. REVETHIS: We feel it was responsive. He
10 was just explaining his answer, your Honor, on --
11 he went on to explain how --

12 JUDGE SHOWTIS: I'll permit the answer to
13 remain. I think -- my impression of his answer
14 was that it does give you some greater
15 flexibility on a daily basis, but you have to
16 have keep in mind the tolerances that you have to
17 stay within on a monthly basis. So I think his
18 answer was, yes, if you're just looking at daily
19 but you have to keep in mind that you still have
20 those monthly tolerance.

21 BY MR. MUNSON:

22 Q. Given that Peoples requires the tolerance

1 level of 3 percent versus Customer Select Program
2 that allows for 10 percent, between those two
3 programs which one, in your opinion, provides
4 suppliers greater flexibility to offer its
5 products and services to customers?

6 A. Nicor's, 10 percent.

7 MR. MUNSON: I don't have anything further.

8 JUDGE ZABAN: Anything further for
9 Mr. Iannello?

10 EXAMINATION

11 BY

12 JUDGE SHOWTIS:

13 Q. I just had a couple questions. Just so
14 I'm clear on one point, Mr. Wear indicated that
15 there are significant differences between the
16 assets available to Nicor Gas and those available
17 to Peoples or North Shore and that was one of the
18 reasons he indicated why the Commission should
19 not adopt the provisions approved for Nicor with
20 regard to delivery tolerances, for example, for
21 Peoples and North Shore.

22 So I just want to get some

1 understanding. When you recommended the same
2 tariff provisions with regard to delivery
3 tolerances and other matters for North Shore and
4 Peoples that were identical to Nicor Gas, did you
5 examine whether there were any differences
6 between the assets available to Nicor and -- and
7 Nicor on the one hand and North Shore and Peoples
8 Gas on the other? In other words, did you
9 examine whether there were different operating
10 conditions, assets available that would lead you
11 to conclude that the same provision should not be
12 applicable to all three Utilities?

13 A. I did examine the assets. As I testified
14 earlier there -- North Shores are different than
15 Peoples, Nicor's are different than Peoples and
16 North Shore and North Shore is different -- you
17 know, all three utilities have different assets .
18 Some have on-system storage, some have off-system
19 storage. Mr. Wear proposed a 3 percent delivery
20 tolerance based on a delivery tolerance on NGPL,
21 Natural Gas Pipeline Company of America, and the
22 fact that delivery tolerances -- there's no

1 delivery tolerances offered on other pipelines,
2 so he just backed off on the 5 percent delivery
3 tolerance that NGPL offers to account for the
4 fact that other pipelines don't offer that.

5 My -- I'm testifying that pipeline
6 delivery tolerances don't have anything to do
7 with the delivery tolerance that suppliers should
8 be offered in this program. Suppliers have to
9 contract for their own pipeline transportation to
10 the Peoples and North Shores and Nicor's systems.
11 They buy pipeline transportation on their own.
12 The delivery tolerances that North Shore and
13 Peoples are offering and Nicor, are based on the
14 on-system storage, the off-system storage, no
15 notice balancing services; these are the assets
16 that suppliers pay for in these programs and
17 these are the same assets that allow the Company
18 to -- for example, meet a certain percentage of
19 peak day needs.

20 Mr. Wear's delivery tolerances and their
21 method for withdrawing gas from storage, for
22 example, would not allow suppliers the same

1 access to storage that the Company uses when they
2 meet peak day. They require the same amount of
3 gas to be withdrawn from storage each day through
4 the month and when -- so that is one example
5 where the utility obviously has the flexibility
6 to meet peak day demand with a certain percentage
7 of storage. They couldn't meet that demand every
8 day. As they meet that demand, storage runs down
9 and then there's not as much deliverability, they
10 may have to cycle; but those are the types of
11 assets that provide that flexibility and nobody
12 has specifically quantified exactly what that is,
13 but if you examine how those assets are used, the
14 Company -- for example, Mr. Wear testifies on --
15 about some large volume customers and the
16 flexibility that they're provided. And he says
17 that sometimes they're bringing in twice what
18 their actual deliveries are, I believe, I may be
19 off a little bit on that, but extremes where
20 they're swinging and these are the same types of
21 assets that these customers are going to be using
22 and paying for and these customers are limited to

1 a very narrow flexibility over that.

2 So what I did is, I looked at those
3 assets and I said What does the Company do with
4 those assets? You know, they're able to meet a
5 certain percentage of peak demand, I don't recall
6 offhand exactly what that is, but it's extremely
7 higher -- the percentage that they use -- the
8 percentage of storage that they use to meet peak
9 demand storage and no notice services is higher
10 than what they would provide customers with.

11 And, in fact, there was a case before
12 the Commission a couple years ago it was Docket
13 No. 98-0819 and Docket No. 98-0820, North Shore
14 and Peoples, where they were attempting to
15 established a fixed charge and what they did was,
16 they looked at what normal deliveries would be
17 throughout a season and they said, This is how
18 much gas we can purchase with certainty and they
19 claimed that anything that was above or below
20 that, they would have to buy options for and that
21 was built into the cost of this fixed charge. I
22 believe that the Commission eventually rejected

1 their proposal because the Company doesn't have
2 to buy options to meet that swing. They use
3 these storage services, no notice services,
4 changes in pipeline nominations to adjust for
5 changes in demand and those are the assets that
6 these customers are paying for and that's why I'm
7 suggesting a greater tolerance. I think they
8 should be based on those assets, not on what
9 pipeline imbalance -- pipeline tolerances are.

10 Furthermore, to base them on the
11 pipeline -- well --

12 Q. You already explained that.

13 A. There's some stuff in my testimony --

14 Q. If I understand what you did, you did
15 examine or look at whether there were differences
16 in assets available to Nicor versus those
17 available to Peoples and North Shore and looked
18 at how they were utilized, but where you
19 recommended uniformed treatment with regard to
20 delivery tolerances and other areas, you
21 determined that there wasn't sufficient
22 justification for different provisions for

1 Peoples and North Shore then those for Nicor Gas?

2 A. That's correct.

3 Q. One last question with regard to default
4 service proposal of New Power Witness Merola.

5 A. Yes.

6 Q. What's your understanding of how that
7 works? If the default service proposal were
8 available a customer could not decide, yes, I
9 still would like to go back to gas sales service
10 from Nicor? In other words, you 'd have to pick a
11 competing offer from an alternative SVT supplier?
12 You wouldn't have the option of saying, Well,
13 even -- I've looked at all those offers and I
14 think I still would like to go back to sales
15 service?

16 A. I think that's what I testified to, yes.
17 I believe that was my testimony.

18 Q. Is that your understanding of how it would
19 work? Do you know that for sure or is that just
20 how you interpret the default service proposal
21 that you -- under no circumstances could you say
22 I don't like any of these default offers and I'd

1 still, for whatever reason, like to go back to
2 Nicor Gas for sales service? I'm talking
3 about --

4 A. Yes.

5 Q. -- Peoples or North Shore for sales
6 service?

7 A. My understanding was -- can I find that in
8 my testimony here?

9 Q. It's on Page 20 of your rebuttal.

10 A. Yeah, I believe that are she said
11 customers that participate in the program and
12 customers that are new to the utilities system
13 would no longer have the option of choosing
14 traditional sales service. She didn't say that,
15 but she said they would have to go to the default
16 supplier and that's what I specifically objected
17 to because as I state later that -- I've always
18 moved forward or I always recommended these
19 programs based on the idea that customers would
20 have the option of returning to sale service if
21 they were not happy with the service.

22 Q. So you believe that her default service

1 proposal would not enable a customer to return to
2 traditional sales service from the -- from North
3 Shore or Peoples Gas? They wouldn't have that
4 option?

5 A. That was my understanding.

6 Q. I'm not sure if that option is available.
7 If it were available, do you have a problem with
8 default service?

9 A. No. I think, actually, it would be a good
10 thing if -- as long as the customer had the
11 option it would just provide them an outlet for a
12 place to get service for say, more than the
13 Company's proposed 60-day period where they have
14 to decide or stay with sales service for a year.
15 If it didn't have that then they can choose
16 between going on sale service or say, moving to
17 another supplier and understanding that it
18 doesn't matter how long they're with that
19 supplier they would at some point -- at any point
20 have the choice of taking service from another
21 supplier, so it's a way around the Company's
22 60-day limit on return to sale service.

1 JUDGE SHOWTIS: That's all I have.

2 MR. REVETHIS: Can we have a moment for
3 redirect, please?

4 (Discussion off the record.)

5 MR. REVETHIS: No redirect of this witness.

6 JUDGE SHOWTIS: You may proceed, Mr. Kelter.

7 MR. KELTER: Thank you.

8 Mr. Cohen are you there?

9 THE WITNESS: Yes, sir.

10 JUDGE ZABAN: Did you swear Mr. Cohen in?

11 JUDGE SHOWTIS: So you're going to have him
12 identify his testimony and not have an affidavit
13 obviously, correct?

14 MR. KELTER: Right.

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1 (Witness sworn.)

2 MARTIN COHEN,

3 called as a witness herein, having been first
4 duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 BY

8 MR. KELTER:

9 Q. Mr. Cohen, could you please state your
10 name, position and address for the record.

11 A. I am Martin R. Cohen, the executive
12 director of the Citizens Utility Board. My
13 business address is 208 South LaSalle, Suite
14 1760, Chicago.

15 Q. And do you have before you two pieces of
16 testimony, both marked CUB Exhibit 1.0, the
17 direct testimony of Martin R. Cohen on behalf of
18 the Citizens Utility Board for Dockets 01-0469
19 and 01-0470?

20 A. Yes, I do.

21 Q. And were these documents prepared by you
22 or under your supervision?

1 A. Yes, they were.

2 Q. And if I asked you the questions in these
3 documents today, would your answers be the same
4 as they are in these documents?

5 A. Exactly the same.

6 MR. KELTER: I hereby move that CUB Exhibit
7 1.0 in Docket No. 01-0469 and CUB Exhibit 1.0 in
8 Docket No. 01-0470 be admitted for the record.

9 JUDGE SHOWTIS: CUB Exhibit 1.0 in both
10 Dockets, 01-0469 and 01-470 are admitted into
11 evidence.

12 (Whereupon, CUB
13 Exhibit No. 1.0 was
14 admitted into evidence as
15 of this date.)

16 MR. KELTER: Thank you.

17 JUDGE SHOWTIS: Mr. Cohen, none of the parties
18 have any cross of you.

19 THE WITNESS: Thank you.

20 JUDGE ZABAN: Mr. Munson, you didn't have
21 cross for Mr. Cohen?

22 MR. MUNSON: No, I did not.

1 JUDGE SHOWTIS: You're free to hang up.

2 (Recess taken.)

3 JUDGE SHOWTIS: Mr. Mierzwa, let me swear you
4 in.

5 (Witness sworn.)

6 JUDGE SHOWTIS: You may proceed, Ms. Edwards.

7 JEROME MIERZWA,
8 called as a witness herein, having been first
9 duly sworn, was examined and testified as
10 follows:

11 DIRECT EXAMINATION

12 BY

13 MS. EDWARDS:

14 Q. Mr. Mierzwa, can you state your name,
15 title and business address for the record.

16 A. Yes. My name is Jerome D. Mierzwa, I am
17 principal and president of Exeter Associates,
18 Inc. My business address is 12510 Prosperity
19 Drive, Suite 350, Silver Spring, Maryland, 20904.

20 Q. Can you spell your last name as well,
21 please.

22 A. Mierzwa is spelled M-i-e-r-z-w-a.

1 JUDGE SHOWTIS: I apologize for misspelling
2 your name many times in the Nicor order.

3 THE WITNESS: You got the order right, though.

4 BY MS. EDWARDS:

5 Q. Mr. Mierzwa, do you have before you two
6 pieces of testimony labeled GCI Exhibits 1.0 in
7 Docket Nos. 01-0470 and 01-0469?

8 A. I do.

9 Q. Do you also have two documents before you
10 labeled GCI Exhibit 2.0 in Docket Nos. 01-0469
11 and 01-0470?

12 A. I do.

13 Q. Are these documents your testimony -- your
14 direct and rebuttal testimony in these
15 proceedings?

16 A. They are.

17 Q. Was this testimony prepared by you or
18 under your direction or supervision?

19 A. Yes, they were.

20 Q. Do you have any changes to these
21 documents?

22 A. Not that I'm aware of.

1 Q. Okay. If I were to ask you these
2 questions orally here today, would your answers
3 remain the same?

4 A. They would be.

5 MS. EDWARDS: I would move for the admission
6 of GCI Exhibits 1.0 and 2.0 in Docket Nos.
7 01-0469 and 01-0470. All of his testimony has
8 been prefiled via E-docket and there are no
9 changes to the original filings via E-docket.

10 JUDGE SHOWTIS: GCI Exhibits 1.0 and 2.0 in
11 Dockets 01-0469 and 01-0470 as they appear on the
12 Commissions E-docket system are admitted into
13 evidence.

14 (Whereupon, GCI
15 Exhibit Nos. 1.0 & 2.0 were
16 admitted into evidence as
17 of this date.)

18 MS. EDWARDS: I've tendered the witness for
19 cross-examination.

20 JUDGE SHOWTIS: Parties may cross.

21

22

1 CROSS -EXAMINATION

2 BY

3 MS. KLYASHEFF:

4 Q. Good evening, Mr. Mierzwa.

5 A. Good evening.

6 Q. My name is Mary Klyasheff and I represent
7 Peoples Gas and North Shore. Do you agree that
8 carrying costs associated with gas storage
9 inventory are costs that Peoples Gas and North
10 Shore recover in their base rates?

11 A. Yes, I do.

12 Q. In your recommended computation of savings
13 associated with inventory, am I correct that it's
14 your recommendation to use a future market
15 projection for gas prices?

16 A. Yes. In my rebuttal I used the most
17 recent futures price.

18 Q. Do you know whether is there a mechanism
19 outside of a rate case for Peoples Gas or North
20 Shore to change the price of gas reflected in its
21 base rates?

22 A. No, I don't.

1 Q. If during the course of this month Peoples
2 Gas or North Shore were to purchase gas f or
3 injection into storage, in your opinion, would
4 that gas probably be purchased at a market price?

5 A. That would be my -- that would be a
6 reasonable assumption I would think.

7 Q. With respect to that gas which was
8 purchased for storage injection, do you know
9 whether Peoples Gas or North Shore would reflect
10 the costs of that purchase in base rates or in
11 its PGA?

12 A. That purchase I don't believe would be
13 reflected until the gas was withdrawn and would
14 eventually be reflected in the PGA.

15 Q. So for example, if next month Peoples Gas
16 or North Shore were to withdraw that gas, your
17 expectation is that it would be reflected in the
18 PGA.

19 A. Yes.

20 Q. If I can now refer to Page 13 of your
21 Peoples Gas direct testimony.

22 A. I have it.

1 Q. You stated that readily identifiable
2 savings are nearly sufficient to recover the
3 revenues projected to be recovered through the
4 account charge. Is the phrase "readily
5 identifiable savings" a reference to the dollar
6 per month figure shown on Page 12 of your direct
7 testimony?

8 A. Yes, it is.

9 Q. And is the basis for your conclusion that
10 your determination of readily identifiable
11 savings is nearly sufficient to cover revenues
12 the fact that the Company's proposed account
13 charge is \$1.25?

14 A. That is correct.

15 Q. And am I correct that you offered similar
16 testimony for North Shore except there the
17 computation came out to a \$1.10 instead of a
18 dollar?

19 A. Yes, I did.

20 Q. Is it still your testimony for Peoples Gas
21 that readily identifiable savings are nearly
22 sufficient to cover revenues recovered through

1 the account charge?

2 A. In my rebuttal testimony I make several
3 adjustments to the savings and I just need to
4 have find the page reference here -- could you
5 repeat that question, please?

6 Q. Is it still your testimony for Peoples Gas
7 that readily identifiable savings are nearly
8 sufficient to cover revenues that would be
9 recovered through the per account charge?

10 A. I would now say that the savings are
11 sufficient to recover -- the savings are now
12 sufficient to recover a portion of those costs,
13 approximately half.

14 Q. And that would be because -- on Page 12 of
15 your rebuttal testimony you provided an updated
16 figure of about 60 cents per month?

17 A. That's correct.

18 Q. And for North Shore, with reference to
19 Page 13 of your testimony, is the updated figure
20 66 cents per month?

21 A. Let me just double check that. Yes, it
22 is.

1 Q. Do you agree that SVT suppliers may
2 decline to serve a customer?

3 A. I am not sure I know what you mean by
4 that. Are you saying that they don't have to
5 offer service to every customer that requests
6 service?

7 Q. Yes.

8 A. Yes, that's correct.

9 Q. Do you know whether there are any
10 regulatory restrictions applicable to an SVT
11 supplier that would prevent the supplier from
12 terminating service to a non-paying customer?

13 A. Could you -- I'm sorry, could you repeat
14 that? You said, there was any regulatory --

15 Q. Yes. Do you know whether there are any
16 regulatory restrictions applicable to an SVT
17 supplier that would prevent the supplier from
18 terminating service to a non-paying customer?

19 A. No, I don't know that.

20 Q. Would you agree that it is possible that
21 an SVT supplier could have a lower uncollectible
22 expense rate than Peoples Gas?

1 A. They could either have a higher or lower
2 rate. I've heard that -- what I've heard -- I've
3 heard many suppliers have a higher right and were
4 surprised by the uncollectible rate, not
5 particularly in this program but in others.

6 Q. And would your answer, then, be the same
7 for North Shore?

8 A. Yes.

9 Q. With reference to Page 10 of your direct
10 testimony. I believe the page reference is the
11 same for both companies.

12 A. Okay. I have it.

13 Q. You stated that the proposed charges could
14 provide a competitive advantage to Peoples Gas
15 and North Shore, is that correct?

16 A. Yes, I do.

17 Q. Do you agree that Peoples Gas and North
18 Shore recover gas costs on a dollar-for-dollar
19 basis through a rider mechanism?

20 A. Yes, that is how they recover their gas
21 costs.

22 Q. And do you agree that Peoples Gas and

1 North Shore do not earn a profit from the sale of
2 gas?

3 A. Not directly on the sale of gas.

4 Q. And by "not directly," do you mean that
5 they earn revenue from distribution charges?

6 A. Yes.

7 MS. KLYASHEFF: Thank you, sir.

8 No further questions.

9 JUDGE ZABAN: Okay.

10 Mr. Fein?

11 CROSS-EXAMINATION

12 BY

13 MR. FEIN:

14 Q. Mr. Mierzwa, this is David Fein on behalf
15 of The New Power Company. Can you hear me all
16 right?

17 A. Yes, I can.

18 Q. I wanted to ask you some questions
19 regarding your comments regarding the enrollment
20 limits on Page 15 of your rebuttal testimony?

21 A. I'm sorry, did you say rebuttal or direct?

22 Q. Rebuttal.

1 A. Page 15?

2 Q. Yes. Do you see that question and answer
3 where you discuss issues raised by Ms. Merola?

4 A. Yes, I have that.

5 Q. Your testimony here regarding the
6 enrollment limits addresses protection of
7 customers who continue sales service, is that
8 correct?

9 A. Yes, it does.

10 Q. Your testimony regarding the enrollment
11 limits here was not designed to address issues
12 relating to economies of scale, for example, of
13 any one particular SVT supplier?

14 A. No, it was not.

15 Q. Are you familiar with enrollment limits in
16 any other jurisdictions with respect to
17 residential choice programs?

18 A. I -- there are enrollment limits in other
19 jurisdictions. I don't offhand know what they
20 have been -- what they have been or what they
21 currently are, they generally have changed.

22 As you can see by my testimony I'm

1 familiar with 20 such -- at least 20 such
2 programs and through each of those programs
3 enrollment numbers have changed and limits have
4 changed, so I -- while I am familiar with them, I
5 don't know if I could quote you a specific
6 enrollment number in a particular program.

7 Q. Are you aware of residential choice
8 programs that did not contain -- that did not
9 contain any enrollment limits in your experience?

10 A. Yeah, there were some that I believe those
11 primarily adopted through legislation from
12 various states, generally, did not have
13 enrollment limits.

14 MR. FEIN: Nothing further.

15 EXAMINATION

16 BY

17 JUDGE ZABAN:

18 Q. I have a question. Mr. Mierzwa, do you
19 know if those programs that didn't have
20 enrollment limits, if they had any problems as a
21 result of having open enrollment?

22 A. I'm not aware of any problems, but my

1 concern here is with protection of remaining
2 customers that did not elect to participate in
3 the customer choice program and those programs
4 which did not have enrollment limits, generally,
5 they had provided for the assignment of capacity
6 to suppliers or their systems were growing so
7 large or so quickly that there was no potential
8 for access capacity if customers switched to a
9 customer choice program, because all it did was
10 reduce the amount of additional capacity the LDC
11 would have to contract for.

12 Q. So your recollection is those -- those
13 companies were so under capacity that it didn't
14 make any difference how much gas went into the
15 pipeline?

16 A. Well, they would have had to subscribe to
17 more capacity because their loads were growing --
18 their number of customers added were growing, so
19 quickly and if some of those customers switched
20 to a customer choice program instead of having to
21 acquire, for example, 20, 30,000 deck in terms of
22 capacity for an upcoming year, they'd only have

1 to acquire 10 or 15,000.

2 Similarly, in those jurisdictions where
3 there was no customer growth, loads were pretty
4 steady, any of the capacity that would have been
5 stranded was assigned to suppliers and suppliers
6 for those costs and use that capacity to serve
7 customers.

8 JUDGE ZABAN: Okay. Anybody else have
9 anything further?

10 MR. MUNSON: Yes.

11 JUDGE ZABAN: Mr. Munson, go ahead.

12 CROSS-EXAMINATION

13 BY

14 MR. MUNSON:

15 Q. Mr. Mierzwa, this is Michael Munson. I
16 represent Dominion Retail, Inc., in this
17 proceeding. I just have a couple follow-up
18 questions concerning the enrollment issue.

19 A. Okay.

20 Q. Am I to understand you correctly that the
21 flexibility of -- the Company's gas supply was a
22 consideration in setting the enrollment limits?

1 A. Yes, that's my understanding and that's
2 consistent with my testimony.

3 Q. Given that, can one conclude that a
4 decrease in gas supply flexibility would reduce
5 the economic attractiveness of the program as
6 structured to the Company?

7 A. I'm sorry, I don't think I understand your
8 question.

9 Q. Well, a decrease in gas supply
10 flexibility --

11 A. For -- I'm not sure I know what that means
12 or how you're using it.

13 Q. Well, what I'm referring to is, if there
14 were more -- presumably what I'm inferring from
15 your testimony is, if more customers were allowed
16 to enroll in the program that that would decrease
17 the level of supply flexibility to the Company;
18 is that correct?

19 A. When I said supply flexibility I don't see
20 it that way. I don't think I'm quite following
21 what your question is. When I think of supply
22 flexibility I think of various sources from which

1 to get gas supply.

2 Q. Perhaps -- if we look at your rebuttal
3 testimony, Page 15 in the Peoples case?

4 A. Okay, I have that.

5 Q. I'm just -- again, I'm not trying to be
6 clever, what I understand that your -- from
7 lines -- your answer to that first question from
8 lines 9 through 17 that deals with gas supply
9 considerations. The issues you discuss,
10 interstate pipeline --

11 A. Right, I have that. Is there a question
12 pending?

13 Q. Yeah. What I'm trying to say is, the
14 supply of gas to the Company is -- one of the --
15 strike that.

16 Let me rephrase. You state that the
17 enrollment limits proposed by the Company are
18 designed to protect customers who continue to
19 purchase gas from the Company, basically; is that
20 correct?

21 A. Correct.

22 Q. And, if there is a large enrollment in the

1 program then the ability of the Company to manage
2 their supply of gas will be diminished; is that
3 correct?

4 A. I don't think -- I haven't considered that
5 aspect and that's not what my testimony goes to.

6 Q. I'm just asking if you would agree with me
7 that that -- and again --

8 A. That the supply flexibility would be
9 reduced?

10 Q. The flexibility of the Company's supply of
11 gas existing contracts, et cetera, was one of the
12 considerations for having this limited
13 enrollment; is that correct?

14 A. That may be one of the reasons the Company
15 proposed it. I don't recall offhand, but that's
16 not the reason I recommended that. And I don't
17 know how it would impact flexibility on the
18 Company. I mean, if your load goes down and you
19 still have the same number of sources -- I just
20 don't know how that would affect flexibility.

21 Q. Okay. That's fair enough.

22 Let's move on to storage then. You're

1 familiar with a storage assignment and use that
2 was addressed in the Nicor Gas case and, in fact,
3 you testified in the case; is that correct?

4 A. Yes, I did.

5 Q. Is it your understanding that Nicor Gas
6 Customer Select customers have flexibility with
7 injections and withdrawals of the Company's
8 storage system?

9 A. I -- unfortunately I did not go back and
10 look at all the details in the Nicor case, but
11 it's my understanding that they did have a lot of
12 flexibility then. That the Company would also
13 determine, in that case, how storage was
14 withdrawn or storage used, but they did provide
15 daily tolerances on deliveries.

16 Q. Okay. Back to the Peoples case, am I
17 correct in understanding your testimony that
18 large transportation customers have flexibility
19 with injections and withdrawals from the
20 Company's storage system?

21 A. Yes, that's my understanding.

22 Q. Is it also your understanding that SVT

1 customers will not enjoy that same flexibility?

2 A. Yes, it is my understanding.

3 Q. And is it your opinion that providing
4 flexibility on storage assignment use promotes
5 the development of a competitive market?

6 A. Yes.

7 Q. Similarly, not providing flexibility on
8 storage would not promote the development of a
9 competitive market, is that correct?

10 A. It would reduce it, though, in a
11 competitive market I think.

12 JUDGE ZABAN: Just so I understand,
13 Mr. Munson, would that hold -- does that hold
14 true, Mr. Mierzwa for individual customers as
15 well, or is it only for the SVTs?

16 THE WITNESS: I think it would hold true for
17 all customers, individual customers also.

18 BY MR. MUNSON:

19 Q. Would you agree with me that suppliers
20 will be serving customers in Nicor's Customer
21 Select Program are likely to be the same or
22 similar suppliers that will serve customers in

1 Peoples program?

2 A. That I don't know. There are different
3 suppliers who serve different customer classes
4 and I don't know what's going to happen in
5 Peoples case.

6 Q. Okay. Assume for a moment that suppliers
7 are serving customers in Nicor Gas' Customer
8 Select case and would additional investment for
9 that supplier to enter the Peoples market reduce
10 the economic attractiveness to entry in that
11 market?

12 A. I'm sorry, you have to take that one a
13 little slower.

14 Q. Okay. Let me ask it a different way.
15 Generally speaking, would minimal additional
16 investment on behalf of a supplier make the
17 economic attractiveness of market entry greater?

18 A. I'm sorry, I still -- I don't -- I just
19 don't understand the question. Do you have the
20 minimal investment by a supplier in what?

21 JUDGE ZABAN: Is it a minimum to enter the
22 market?

1 MR. MUNSON: Yes.

2 JUDGE ZABAN: There's a minimum investment --
3 in other words, the less a supplier has to invest
4 to enter a market, the more attractive does the
5 market become to that supplier?

6 THE WITNESS: Yes. Yes. I would agree with
7 that.

8 MR. MUNSON: Thank you.

9 Nothing further.

10 JUDGE SHOWTIS: Does Staff have questions?

11 MR. REVETHIS: Yes.

12 JUDGE ZABAN: Before you begin, I just have
13 one question. Mr. Mierzwa, if one of the
14 considerations for putting limits on the number
15 of people who could enroll in the Choices For You
16 is the prior commitments for gas for Peoples or
17 North Shore Gas, is it possible for them to sell
18 some of that gas on a secondary market to open
19 this program up for more people?

20 THE WITNESS: Yeah, I think it would be more
21 for the pipeline capacity than the gas, generally
22 the gas can be sold at what pretty close to what

1 they paid for it, but really there probably
2 aren't many stranded costs associated with the
3 gas. It would be the pipeline capacity. They
4 could get some revenues for selling the pipeline
5 capacity, but, you know, again, suppliers could
6 also use that capacity for the interim period as
7 we're transitioning to competition.

8 JUDGE ZABAN: Okay. But there's no guarantee
9 that they would be able to recoup all their
10 costs, is that correct?

11 THE WITNESS: That's correct.

12 JUDGE ZABAN: Mr. Revethis?

13 MR. REVETHIS: Yes, thank you, your Honor.

14 CROSS-EXAMINATION

15 BY

16 MR. MIERZWA:

17 Q. Mr. Mierzwa, I'm Steven Revethis and I'm
18 Staff Counsel for the Illinois Commerce
19 Commission Staff and I really just have one
20 inquiry for you in light of the previous
21 cross-examination.

22 Sir, you had proposed alternatives to

1 the Company's proposed plan for use of storage;
2 is that correct?

3 A. Yes, I have.

4 Q. Okay. Now, if the Commission approves,
5 say one your proposals for storage management to
6 the extent the details of the proposal are not
7 spelled out, how do you think these -- how do you
8 propose these details should, in fact, be
9 developed? I mean should the Commission, for
10 example, initiate another proceeding to address
11 the details of your proposals or do you have any
12 other thoughts regarding that?

13 A. Well, one thing they could do is address
14 it in another proceeding, but really the Company
15 would have to be involved in developing those
16 parameters for use of storage. Other companies
17 have done that. Nicor has -- I'm sorry, Peoples
18 in this proceeding had not done that. I think,
19 you know, if they were required to do so, they
20 could come up with such parameters. And,
21 obviously, that would have to justify why those
22 parameters were appropriate and the parties could

1 judge from that.

2 Q. Would you envision input from other
3 interested parties in the development of those?

4 A. Yes, I would.

5 Q. And what kind of form would you suggest if
6 you have one in mind?

7 A. Obviously, a proceeding could do it, but
8 probably not the most effective way, but some
9 sort of collaborative or something along those
10 lines where the suppliers and the Company could
11 get together in providing -- provided, however
12 that if an agreement couldn't be reached they'd
13 have to come back to the Commission.

14 MR. REVETHIS: Thank you very much, sir.
15 Thank you so much.

16 JUDGE ZABAN: Anything further?

17 EXAMINATION

18 BY

19 JUDGE SHOWTIS:

20 Q. I would assume that if an agreement were
21 not reached that if a docket had to be opened
22 that it would be your position that the docket

1 move on an accelerated pace or expedited pace so
2 that there wouldn't be a time loss before some of
3 your recommendations were actually implemented?

4 A. Yes. I think this would be something that
5 could be resolved rather quickly. The parties
6 would know fairly quickly if the parameters
7 were -- or the interested parties would know very
8 soon if the parameters being proposed by the
9 Company were reasonable or not.

10 Q. You recommended that the trading of
11 imbalances by suppliers be allowed, is that
12 correct?

13 A. Yes, I did.

14 Q. Was that approved as part of the Nicor
15 program, if you know?

16 A. I don't know offhand. They may have
17 already provided for that. It just wasn't an
18 issue raised in that proceeding at least by me or
19 any other party that I'm aware of.

20 Q. I'm trying to recall and I don't remember
21 that issue coming up. It wasn't an issue that
22 you raised in that proceeding, was it?

1 A. No, it was not. They may have already
2 done it, I just don't recall.

3 Q. Do you have some time frame in mind -- you
4 haven't worked out the details of -- for example,
5 with regard to establishing monthly storage
6 parameters and daily injection and withdrawal
7 parameters for suppliers in the program where you
8 haven't worked out the details, do you have a
9 time frame in mind where you would want Peoples
10 Gas and North Shore to come up with a proposal?
11 In other words if the Commission enters an order,
12 do you -- what would you recommend?

13 A. I would think that they should be able to
14 propose something with some justification within
15 a month after that. That should be ample
16 opportunity.

17 JUDGE SHOWTIS: Okay. That's all I have.

18 JUDGE ZABAN: Anything further of this
19 witness?

20 Okay. Thank you, Mr. Mierzwa, you're
21 excused.

22 JUDGE SHOWTIS: Wait a minute. I didn't know

1 if there was redirect.

2 MS. EDWARDS: Gary, did you think we need any
3 redirect in your opinion?

4 THE WITNESS: Everything was great.

5 MS. EDWARDS: No redirect.

6 JUDGE SHOWTIS: Good night.

7 MR. REVETHIS: Staff at this time, if it
8 pleases your Honors calls Dr. Eric P. Schlaf to
9 the stand -- Staff Witness Schlaf, and I believe
10 he's been previously sworn.

11 JUDGE SHOWTIS: You're asking if it pleases
12 us, though? It pleases us to have Dr. Schlaf.

13 MR. REVETHIS: Thank you, your Honor.

14 DR. ERIC SCHLAF,
15 called as a witness herein, having been
16 previously duly sworn, was examined and testified
17 as follows:

18 DIRECT EXAMINATION

19 BY

20 MR. REVETHIS:

21 Q. Would you kindly state your name for the
22 record, please.

1 A. Eric P. Schlaf.

2 Q. Would you also state your title?

3 A. I am an economist in the energy division
4 at the Illinois Commerce Commission.

5 Q. And your business address also, please.

6 A. My business address is 527 East Capitol
7 Avenue, Springfield, Illinois 62701.

8 Q. Dr. Schlaf, do you have before you a
9 document which has previously been marked for
10 identification for purposes of identification as
11 Illinois -- ICC Staff Exhibit 3.0 which is
12 entitled, the Direct Testimony of Eric P. Schlaf
13 in the North Shore Gas Company, Docket
14 No. 01-0469 dated September 5, 2001, consisting
15 of 32 pages of narrative testimony; sir?

16 A. Yes, I do.

17 Q. And do you also have before you a document
18 which has previously been marked for purposes of
19 identification as ICC Staff Exhibit 6.0 in the
20 same entitled docket and that testimony dated
21 October 4, 2001; sir?

22 A. Yes, I do.

1 Q. Okay. Also, sir, do you have before you a
2 document which has previously been marked for
3 purposes of identification as ICC Staff Exhibit
4 3.0 in the Peoples Gas Light, Docket 01-0470;
5 sir?

6 A. Yes.

7 Q. And do you also have before you a document
8 which has been previously marked for purposes of
9 identification as ICC Staff Exhibit 6.0 which is
10 entitled, the Rebuttal Testimony of Eric P.
11 Schlaf in the Peoples Gas Light and Coke Company,
12 Docket 01-0470 dated October 4, 2001?

13 A. Yes, I do.

14 Q. Okay. Sir, I ask you whether this
15 testimony was either drafted by you or under your
16 direction and control; sir?

17 A. Yes, it was.

18 Q. Do you have any additions, modifications
19 or corrections you wish to make to any of the
20 four pieces of testimony that I've just referred
21 to you?

22 A. Unfortunately, I have to announce that I

1 would like to make corrections to the rebuttal
2 testimonies in each docket.

3 Q. Would you kindly recite those at this
4 time, please.

5 A. Yes. They appear for the Docket 01-0469.
6 The corrections are on lines 242 and 242
7 respectfully.

8 On line 242 the comment after conduct
9 should be stricken.

10 On line 244 which is -- on my copy
11 anyway, the last line on that page the third word
12 is "although" and I would like to change that
13 word to even, e-v-e-n.

14 I would like to make the same two
15 changes in rebuttal testimony in the Peoples Gas
16 docket. The line numbers are slightly different.
17 In this proceeding, the line number for which I
18 would like to change as a comma or strike the
19 comma appears on line 241 and the word "although"
20 which I would like to change to even appears on
21 line 243.

22 Q. Okay. Dr. Schlaf, having made those

1 corrections, modifications, is it your intent
2 that this be your sworn testimony in this
3 proceeding; sir?

4 A. These are my sworn testimonies, yes.

5 MR. REVETHIS: We at this time, your Honors,
6 ask that the direct testimony of Eric P. Schlaf
7 in Docket 01-0469, which has previously been
8 marked as ICC Staff Exhibit 3.0 as well as the
9 rebuttal testimony in that same docket dated
10 October 4, 2001, be entered in the record as
11 evidence in this proceeding and we also ask that
12 the direct testimony of Eric P. Schlaf, labeled
13 as ICC Staff Exhibit 3.0 in the Peoples Gas and
14 North Shore -- Peoples Gas Docket 01-0407, as
15 well as the rebuttal testimony in that
16 proceeding, ICC Staff Exhibit 6.0 dated October
17 4, 2001, be entered into the record.

18 And we offer the witness for
19 cross-examination at this time.

20 JUDGE SHOWTIS: Staff Exhibits 3.0 in Docket
21 01-0469 and 01-0470 as it appears on the E-docket
22 system is admitted into evidence. Since there

1 are corrections to Staff Exhibit 6.0 you will
2 need a copy for the reporter to mark.

3 JUDGE SHOWTIS: Staff Exhibit 6.0 in both of
4 those dockets as marked by the reporter is
5 admitted into evidence.

6 (Whereupon, Staff
7 Exhibit No. 6 was
8 marked for identification
9 as of this date.)

10 (Whereupon, Staff
11 Exhibit Nos. 3.0 & 6.0 were
12 admitted into evidence as
13 of this date.)

14 MR. REVETHIS: Thank you, your Honor.

15 We now offer the witness for
16 cross-examination.

17 JUDGE SHOWTIS: Parties may cross.

18 CROSS-EXAMINATION

19 BY

20 MS. KLYASHEFF:

21 Q. Good evening, Mr. Schlaf. My first few
22 questions pertain to the attachment to your

1 direct testimony. Please refer to Page 2.

2 A. Yes, I have that.

3 Q. There is a reference to a workshop process
4 and a statement that at the conclusion of the
5 workshops, Staff would recommend to the
6 Commission whether a proceeding should be
7 instituted to develop rules and guidelines for
8 market participants acting as agents. Has such a
9 proceeding been initiated?

10 A. No, it has not.

11 Q. Turning to Page 4 of that report, the
12 report states that depending upon the utility,
13 about 50 percent to 93 percent of electric
14 delivery service customers employ agents. Do you
15 agree with that information in the report?

16 A. Yes. That information was gathered by
17 Staff last summer, but I think the figures quoted
18 there are probably equally applicable today.

19 Q. With respect to the electric utilities
20 that provided the information to Staff in
21 connection with this Page 4 of the report, do you
22 know if any of these utilities offer a utility

1 single billing service?

2 A. Each electric utility offers a single
3 billing service, so the answer to your question,
4 I believe, would be yes.

5 Q. A service under which the utility offers a
6 single bill?

7 A. No, I'm sorry. Each electric utility
8 allows suppliers to offer single billing, and as
9 far as I'm aware, none of the utilities offer
10 their own single billing service for suppliers.

11 Q. Thank you. If I could jump back to Page 2
12 for a moment. Towards the bottom of that page
13 the report refers to a minimal number of
14 complaints that the Commission has received about
15 agents active in the gas transportation market.
16 Do you agree with that portion of the report?

17 A. Yes.

18 Q. To your knowledge, does the Commission
19 specifically keep track of complaints involving
20 agents in the gas transportation market?

21 A. To my knowledge Staff does not
22 specifically track the -- I'm sorry, to my

1 knowledge, the Commission does not track
2 complaints involving agents and their agency
3 activities; agents, that is, that are active in
4 the natural gas market.

5 Q. To your knowledge, does the Commission
6 have formal procedures for responding to a
7 complaint by a customer about an agent in the gas
8 transportation market?

9 A. The Commission has procedures that I
10 believe are applicable to complaints that are
11 filed regardless of the utility or the service
12 that's being offered and generally speaking,
13 there are informal and formal complaints and when
14 you used the word "formal," I wasn't sure if you
15 meant written down or formal procedures that are
16 applicable when there are formal complaints
17 filed, but I think with all that, the answer is
18 yes, the Commission does have procedures.

19 Q. Turning to Pages 6 through 8 of that
20 attachment. There's a list of policy concerns
21 associated with the use of agents.

22 A. Yes.

1 Q. Do you believe that any of these policy
2 concerns would apply to agents performing
3 supplier's single billing services?

4 A. I believe I was asked that question in a
5 data request and perhaps it would be helpful if
6 you know the number of that data request.

7 Q. 2.9.

8 A. There are several sub parts and I'm
9 wondering what would be the most expeditious way
10 to answer your questions on this topic?

11 Q. Well, my second question was going to be
12 to ask you to list the concerns that you believe
13 would be applicable, so I would refer to sub part

14 A.

15 A. The first issue listed is nonpayment of
16 customer bills and I answered that each of these
17 matters, that is, the non payment of customer
18 bills issue is relevant to the activities of
19 account agents.

20 Issue B -- I'm sorry, that was Issue 1.
21 Issue 2 was Part 451 and Part 410 issues and
22 those rules address standards of service for gas

1 suppliers and electric suppliers respectfully.

2 I guess if it's -- may I just read the
3 answer to my question?

4 Q. Yes. For sub part A.

5 A. Yes. This issue concerns the possibility
6 that agents who are not operating as certified
7 suppliers might not be obligated to follow
8 certain Commission rules that pertain to
9 certified suppliers. The best way to address
10 billing concerns is to allow suppliers to offer
11 single billing through a tariff.

12 And there is further information. The
13 Commission rule -- to Part 410 in quotations is
14 the words "standard of service" is Part 500.

15 Part 410 now applies to alternative
16 retail electric suppliers however, there is no
17 corresponding rule in effect for suppliers
18 operating natural gas transportation programs
19 with respect to formatting supplier bills which
20 is one of the issues I believe I discussed in my
21 report.

22 Dr. Schlaf points to provision C, the

1 proposed standards of conduct which states the
2 following.

3 And in brackets there's a word, supplier
4 shall, for all bills issued that include the
5 Company's charges separately identified the
6 suppliers charges and the Company's charges.

7 I guess, maybe to sum up the answer,
8 account -- with respect to Part 451 and 410
9 issues, standards of service, particularly with
10 respect to billing, the activities of account
11 agents are of concern.

12 Item 3 are informational messages and I
13 unhelpfully refer to another data response, 2.1.
14 And I knew that would come back to haunt me. And
15 that question -- this issue refers to whether
16 customers of account agents receive certain
17 informational messages that utilities are
18 required to send to their customers?

19 And in my response to 2.1, I note that
20 there are two alternative policies that might
21 help ensure the customers receive those messages.

22 One is that utilities can send these

1 messages directly to the agent -- I'm sorry,
2 directly to customers themselves rather than to
3 the agents.

4 And an alternative policy would be that
5 customers would need to sign some sort of
6 document that states that they understand that
7 their agent is receiving all the correspondence
8 it normally would have been received by them and
9 the -- such a document might also -- or should
10 also ensure that the customers understand that
11 and that such -- certain pieces of correspondence
12 including disconnection notices, might be handled
13 by the agent who might not forward them in a
14 timely manner to customers.

15 I also note in this response that these
16 two policies could be used together but, your if
17 your basic question are customers receiving or not
18 receiving certain informational messages of a
19 concern with respect to account agent activities
20 and the answer is, yes, I agree with that.

21 The last item number 4, I also respond
22 to -- respond by referring to another data

1 request. This is a response to data request
2 2.9C, and the issue has to do with -- well, it's
3 labeled consequences of acting irresponsibly and
4 I think the issue has to do with whether a
5 utility should be obligated to deal with an agent
6 that is, allow the agent to handle the customers
7 affairs even if the utility for whatever reason
8 happens to believe that the agent has acted
9 negligently in some fashion in the past and let's
10 see what I said. I can't remember. I can't seem
11 to find that data response. I don't recall what
12 I -- I'm sorry, it's on that same page. I'm not
13 sure what my answer -- is that helpful or not,
14 but I guess I would just note that it's a
15 difficult question to answer. I suppose it's a
16 legal question whether utilities are obligated to
17 deal with agents or not and whether they had
18 information that they almost feel they should
19 tell customers about regarding the, you know, the
20 reputation of an agent, I guess is a hard
21 question to answer, so I guess I don't know the
22 answer to your question.

1 Q. In your discussion of certain of those
2 policy concerns, let me turn first to, I believe,
3 the third one. You identified informational
4 messages.

5 A. Yes.

6 Q. You described two possible alternatives
7 for how that could be resolved. Does Staff have
8 a preference or do you have a preference for
9 which of those alternatives is used?

10 A. Just to make sure that I see if I
11 expressed a preference, I believe that I did --
12 but in the data response I expressed Staff's
13 preference that utilities directly send the
14 informational messages, safety messages, perhaps
15 disconnection -- certainly disconnection notices
16 and perhaps other messages directly to customers.
17 And the purpose of that is to ensure that
18 customers see the information that really effects
19 their service.

20 I may also add that if there is a single
21 billing tariff it would -- probably a component
22 of that tariff would be a requirement that

1 utilities -- I'm sorry, suppliers send such
2 messages along to customers and a failure to
3 adhere to that provision would -- could
4 potentially cause removal of the right of a
5 supplier to offer single billing.

6 So to some extent, this issue can be
7 taken up or addressed by a single billing tariff.

8 Q. I believe you also stated that there could
9 be circumstances under which a utility could
10 rightfully refuse to deal with an agent. Do you
11 believe that there are circumstances under which
12 an SVT supplier could lose its right to offer
13 supplier single billing?

14 A. May I ask you, are you speaking of account
15 agency or tariffs? I'm sorry, the reason -- the
16 previous answer I explained that there might be a
17 circumstance in -- under single billing tariff
18 where a supplier might lose its right to offer
19 single billing through the tariff.

20 Are you asking about account agency as
21 well?

22 Q. Would it be your testimony that it would

1 be possible for a supplier providing a single
2 bill pursuant to a rider to lose its right to
3 bill under that rider? For example, for a
4 violation of a tariff?

5 A. I think there certainly could be
6 circumstances in which a supplier could and
7 probably should lose that right.

8 Q. And where the supplier providing single
9 billing as an account agent, then, did I
10 understand your testimony correctly, that there
11 could be circumstances under which they would
12 lose the right to bill in that manner because the
13 Company would have certain rights not to deal
14 with agents?

15 A. I guess I was trying to say that I -- my
16 impression is that that's probably a legal
17 question that I don't know the answer to that
18 question.

19 JUDGE ZABAN: Mr. Revethis, your objection is
20 sustained.

21 BY MS. KLYASHEFF:

22 Q. Would you require suppliers acting as

1 accounts agents in providing a single bill
2 service to provide that service pursuant to Rider
3 SBO?

4 A. I understand that's the Company's proposal
5 or most recent proposal and it strikes me that if
6 account agents were obligated to follow the
7 provisions of Rider SBO there might be little
8 difference between being an account agent and
9 being a single biller through the tariff.

10 If you're asking, what do I think of
11 that proposal? I guess I'm reluctant to endorse
12 it. I would like that suppliers have the option
13 to do both especially since the account agency
14 method seems to be more -- can be implemented
15 more quickly than a single billing through the
16 tariff.

17 In a longer term solution I think it
18 would be preferable to have everyone operate
19 under the tariff, but presently, I guess, I would
20 prefer that suppliers have both options available
21 to them.

22 JUDGE SHOWTIS: And to just clarify what you

1 mean by a long-term solution, when would that
2 occur?

3 THE WITNESS: Based on the testimony I heard
4 today, it appears that to get single billing up
5 and running through a tariff may require many
6 months. One figure was up to 18 months depending
7 on certain circumstances and the quickest time in
8 which single billing tariff could be started, it
9 seems to be about six months from now; but a
10 longer term is, I guess, sometime between --
11 sometime, let's say a year, sometime between
12 those two periods. But I think it's important
13 for suppliers to be able to start single billing
14 as soon as possible and the way to do that I
15 think is through account agency.

16 BY MS. KLYASHEFF:

17 Q. Am I correct that you have recommended
18 that suppliers in Peoples Gas' and North Shore's
19 program receive billing information
20 electronically even if they are acting in the
21 capacity of an agent as opposed to under the
22 tariff?

1 A. That's my proposal.

2 Q. Now, did I understand your testimony
3 correctly that the electric utilities do not do
4 that?

5 A. Presently -- despite our non-docketed
6 attempts at persuasion have not offered to
7 perform that service for anyone but suppliers who
8 are operating underneath -- under their tariff.

9 Q. And by the reference to non-docketed, does
10 that mean that it has not yet been raised by
11 Staff in a natural proceeding within the
12 Commission?

13 A. That's true.

14 Q. Would you agree that the costs associated
15 with developing the capability to transmit
16 payment information electronically may constitute
17 legitimate expenses associated with the program?

18 A. Yes.

19 Q. Please refer to Pages 6 to 7 of your
20 rebuttal testimony. If a supplier were providing
21 a single bill service and if a customer remitted
22 only a partial payment, is it your testimony that

1 the payment should first be allocated to
2 distribution charges?

3 A. Yes.

4 Q. Does the term, "distribution charges"
5 include any of the charges that the utility is
6 authorized to bill pursuant to Rider SVT?

7 A. I hesitate to answer, I guess, that
8 question with, yes or no. I guess I would prefer
9 to say, regardless of what the Company's proposed
10 right now that monies sent by the supplier should
11 be designated for distribution charges applicable
12 to that customer while the customer is a customer
13 of that particular supplier. So that would
14 exclude previous costs, previous sales, gas sales
15 costs or previous distribution charges. I can't
16 recall exactly right now.

17 I guess the reason I answered that way
18 is I can't recall exactly right now which items
19 the Company may have specified in their tariff as
20 to what can be collected through the tariff.

21 Q. Setting aside the issue of whether it was
22 pre or post when the supplier started single

1 billing, assume that I'm only talking about
2 charges that occurred after of the customer moved
3 to a supplier's single bill, would the term,
4 "distribution charge" include, for example, the
5 utilities fixed customer charge?

6 A. Yes.

7 Q. Would it include things like taxes that
8 the Company is required to collect?

9 A. Yes.

10 Q. Also on Pages 6 to 7 you address the
11 circumstance where a customer switched to an
12 alternative supplier while still owing money to
13 the utility. For purposes of a pilot program
14 would you accept a requirement that customers be
15 current with utility bills prior to moving to
16 Rider SBO?

17 A. For purposes of the pilot program I would
18 accept that and I guess I would just add that
19 this issue is problematic and it may be
20 worthwhile to address this particular problem in
21 the pilot program in the manner that the Company
22 is now suggesting.

1 Q. Referring to Page 2 of your rebuttal
2 testimony, you describe a second sort of payment
3 option that would require the supplier to remit
4 only the money that they collect from their
5 customers?

6 A. Yes.

7 Q. By what date would you propose that the
8 supplier be obligated to remit payment to the
9 Company under that option?

10 A. I didn't propose a date. I was asked that
11 question recently in a data request and I believe
12 Ms. Merola has brought up the issue and I believe
13 I expressed a preference for one of the many
14 options and that -- if I could refer to the
15 question. Can you remind me the question?

16 Q. 3.2.

17 A. Which I don't seem to have, but I can
18 remember my response.

19 Q. I have a copy if the witness would like to
20 refer?

21 MR. REVETHIS: Yes, we appreciate that.

22 THE WITNESS: Yes. Thank you. I'm sorry --

1 BY MS. KLYASHEFF:

2 Q. 3.2?

3 A. I have it, thank you. I mentioned there
4 were probably two remittent options, one is the
5 Company's current proposal and one is -- in that
6 proposal a supplier is obligated to send the
7 money to the Company one or two business days
8 after receiving it and I believe the Company's
9 proposal is one business day.

10 A second option and they're probably
11 more now, I guess, would be just to send the
12 money by the due date, if the customer's bills
13 are due 21 days after it's issued, this option
14 would allow the supplier to hold the money to 21
15 days.

16 I believe Ms. Merola has -- you had a
17 third option, I believe she's suggesting five
18 business days. My recollection of the electric
19 tariff's with respect to this issue is that one
20 or two business days is probably standard and --
21 even though that seems like a very short time
22 frame it seems reasonable to me.

1 Q. In this data response you indicated Staff
2 would prefer the second option.

3 A. Yes.

4 Q. That is your position?

5 A. I was trying to indicate that I was
6 acknowledging that I could accept the Company's
7 proposal.

8 Q. And, finally, with reference to Page 9 of
9 your direct testimony.

10 A. Yes.

11 Q. You stated that the absence of a supplier
12 single billing option could deny customers the
13 convenience of a single bill for the purchase of
14 both commodities, is that correct?

15 A. I'm sorry, is that the direct testimony?

16 Q. Direct.

17 MR. MUNSON: Line 1.

18 BY MS. KLYASHEFF:

19 Q. For Peoples Gas I show it as lines 206
20 through 207?

21 A. Yes, on my direct testimony. Yes, I see
22 that testimony.

1 Q. Do you agree that gas and electric
2 utilities service is provided to Peoples Gas'
3 customers by two different utilities?

4 A. Yes.

5 Q. And could Peoples Gas' billing cycle
6 differ from that of the electric utilities
7 billing cycle?

8 A. It could.

9 Q. Would you agree that's also true for North
10 Shore?

11 A. Certainly.

12 Q. Do you agree that if a supplier issued a
13 single bill including gas and electric utility
14 charges, the due date for the gas utility charges
15 would differ from the due date of the electric
16 utility charges?

17 A. They probably would.

18 Q. Do you agree that under Peoples Gas' and
19 North Shore's proposal nothing would prevent a
20 supplier from issuing a single bill that includes
21 the gas and electric commodity service?

22 A. No. I hope that suppliers are -- would

1 offer a bill -- I'm sorry, I answered too rashly
2 there. I think you're question is, rather than
3 billing for the distribution charges they just
4 bill for their commodity charges for both
5 services and, yes, they can certainly do that.

6 MS. KLYASHEFF: Thank you.

7 I have no other questions.

8 JUDGE ZABAN: Okay. Mr. Munson?

9 CROSS-EXAMINATION

10 BY

11 MR. MUNSON:

12 Q. Dr. Schlaf, you understand that the
13 utility can offer consolidated billing and, in
14 fact, that's Peoples preferred method in this
15 proceeding; is that correct?

16 A. Yes.

17 Q. Would you agree that if the Company
18 offered -- first of all, a quick foundation. Do
19 you understand what I mean when I say, rate-ready
20 billing?

21 A. Yes, I believe so.

22 Q. Would you agree that if the Company

1 offered rated ready billing as an option that
2 such offering would be an incentive for suppliers
3 that desire such billing methods to enter the
4 market?

5 A. I would agree that there may be suppliers
6 who prefer that billing option. In fact, I am
7 aware that there are suppliers who would like to
8 rely on the utility and some of those suppliers
9 might prefer that option over another type of
10 billing option.

11 MR. MUNSON: Nothing further.

12 JUDGE ZABAN: Anybody else?

13 MR. KELTER: One question.

14 CROSS-EXAMINATION

15 BY

16 MR. KELTER:

17 Q. Ms. Klyasheff asked you a question
18 prefaced by for purposes of a pilot program. Do
19 you consider this program to be a pilot program?

20 A. It seems to have the usual characteristics
21 of a pilot program. It's short-term. It doesn't
22 involve the entire service area. It's not open

1 to everybody, but I suppose one could debate for
2 a long time what is meant by a pilot program and
3 what that implies for how the Commission should
4 look at this particular program.

5 Q. Was it your position that Staff will be
6 reviewing this program on a periodic basis and
7 making recommendations for changes in the
8 program?

9 A. I guess I can't guarantee that the Staff
10 will, on a periodic basis, review how the program
11 is progressing and it may, at the conclusion of
12 the program, I guess three years is the initial
13 term, look at it, but I -- as I sit here right
14 now I can't guarantee that Staff will make an
15 effort -- a regular effort to look at the
16 progress of the program. Although it certainly
17 would be aware of how the program is going. For
18 example, would be knowledgeable about enrollment
19 figures and perhaps problems that pop up from
20 time to time.

21 MR. KELTER: That's all I have -- excuse me.
22 I wanted to -- I have a series of data requests

1 that we posed to Dr. Schlaf on September 21st,
2 2001, and -- I'm sorry.

3 What I wanted to submit for the record
4 was the Staff of the Illinois Commerce
5 Commission's responses to North Shore Gas
6 Company's first set of data requests from Docket
7 No. 01-0469 dated September 21st, 2001, marked as
8 CUB Cross Exhibit 1.0.

9 JUDGE ZABAN: Are those data requests tendered
10 under oath?

11 MR. KELTER: I don't think they are. Should I
12 ask Dr. Schlaf if his answers would be the same
13 today?

14 JUDGE ZABAN: I think you have to establish
15 that -- otherwise they're meaningless unless
16 there's some oath or some oath attached to it.

17 BY MR. KELTER:

18 Q. Dr. Schlaf, do you have before you CUB
19 Cross Exhibit 1.0?

20 A. Yes. I have reviewed this packet of data
21 responses and -- I'm sorry.

22 JUDGE ZABAN: Maybe we can do them all at once

1 because you've reviewed them, okay. It's just
2 easier to do them all at once.

3 MR. REVETHIS: They have been previously
4 provided by counsel.

5 JUDGE SHOWTIS: Just indicate if you were
6 asked those questions today on the stand, would
7 your answers be the same?

8 THE WITNESS: Yes, they would.

9 JUDGE ZABAN: And that's to all the data
10 requests that Mr. Kelter has referred to?

11 BY MR. KELTER:

12 Q. Specifically questions 1.1 through 1.14?

13 A. Yes.

14 JUDGE ZABAN: All right. They can be
15 admitted.

16 MR. KELTER: We'd like to -- CUB would move
17 to -- move the responses to move that they be
18 admitted to the record as CUB Cross Exhibit 1.0.

19 JUDGE ZABAN: Being no objection it will be
20 admitted.

21

22

1 (Whereupon, CUB Cross
2 Exhibit No. 1.0 was
3 marked for identification
4 as of this date.)

5 (Whereupon, CUB Cross
6 Exhibit No. 1.0 was
7 admitted into evidence as
8 of this date.)

9 JUDGE ZABAN: Is there anything -- does
10 anybody have anything further of Dr. Schlaf?

11 JUDGE SHOWTIS: Does anyone else have any
12 questions?

13 JUDGE ZABAN: Cross examination of Dr. Schlaf.

14 EXAMINATION

15 BY

16 JUDGE SHOWTIS:

17 Q. I just have a couple questions. Do you
18 advocate that the Commission authorize single
19 billing through an account agency within a
20 authority period of time after the order in this
21 case; is that correct?

22 A. Yes.

1 Q. I'd just like to pin you down. Do you
2 have a time frame, a short period time can be
3 any -- a short period of time can be -- it's kind
4 of a relative concept. So if the Commission said
5 you were required to implement account agency
6 within a short period of time I don't think that
7 would really provide a lot of guidance. So I'm
8 asking for a number of days?

9 A. I think that the order could require
10 Peoples and North Shore to allow account agency
11 as soon as the order is entered, but having said
12 that, it would take some short period of time for
13 the Companies to accommodate the agents who might
14 wish to take advantage of the offer and I believe
15 the Company responded in a data request, which
16 I'm not sure is in the record, that they could
17 switch names and billing addresses in their
18 information systems within about a month or so.

19 So, I guess the answer is, I would like
20 the Commission order to state, the account agency
21 can be used immediately, but there would be --
22 need be some time during which the Company would

1 undergo the activities that would actually get it
2 under way. And my understanding is that that
3 time would be on the order of a month or so.

4 Q. Okay. You would recommend that single
5 billing through account agency be available for
6 implementation within 30 days of the date of the
7 order?

8 A. If the Company can accommodate that,
9 that's my recollection of the time that they said
10 they would need.

11 Q. Turning to the single billing. Rider SBO,
12 the tariff, what's your position with regard to
13 that should the Commission reach a decision with
14 regard to what the Rider SBO tariff should look
15 like putting aside the issue of credits which I
16 don't think has been decided yet?

17 A. Yes, I think it should. I think the
18 Commission should order the tariff, perhaps order
19 the tariff -- I'm sorry, the Commission in this
20 proceeding should order that a tariff be placed
21 into effect. The Company's proposal of a tariff
22 is very helpful in sorting this all out. There

1 have been varied suggestions as to how to modify
2 the tariff and I think the Commission should rule
3 on those various proposals that pertain to the
4 tariff. And I think that can be done in this
5 proceeding.

6 Q. So the Commission would rule on what
7 certain provisions of the tariff should look
8 like; that obviously they're based on the
9 testimony, at least with regard to Company time
10 needed to take the necessary steps to implement a
11 tariff -- strike that mumbo jumbo.

12 Let me start all over. There appears to
13 be a delay between approval of the tariff and
14 implementation and I think the testimonies
15 estimate range from six months to almost up to 18
16 months; is that correct?

17 A. Yes.

18 Q. Do you have any reason to challenge those
19 estimates?

20 A. I would like to claim that I'm an IT
21 expert or something of the sort, but I'm not. So
22 I don't have any reason to challenge those

1 estimates.

2 Q. I'm not going to go over -- in some of
3 your -- in parts of your rebuttal testimony you
4 commented, you are not opposed to someone's
5 position but you've also advocated a different
6 position. By that do you mean you're staying
7 with -- I'm not going to go over each example,
8 but you're staying with your recommendation as
9 the first choice, but you wouldn't roll over and
10 kick your feet and scream a lot if the other
11 alternative were approved by the Commission?

12 A. I think generally speaking I would find --

13 Q. For example, this is an example: The stay
14 on whether there should be a requirement that you
15 stay unbundled service for some period of time
16 and I think you said, I'm not opposed to removing
17 a requirement that you have to stay unbundled
18 service for a period of time. I think those were
19 your words, "I'm not opposed." I think Page 8,
20 line 175 through 177 of your rebuttal.

21 A. I think generally mean if suppliers could
22 gets a better deal than what the Company's

1 offering, more power to them; but, generally
2 speaking I would -- either option would be --
3 either of the options -- when the would be
4 acceptable.

5 Q. Finally, the last question -- I'm not sure
6 what you're referring to on lines 276 through 278
7 where you state, If the Company believes that any
8 enhancements will cause it to incur additional
9 expenditures, then I suggest that the Company
10 provide evidence of such expenditures in it's
11 next filing. What next filing are you referring
12 to there?

13 A. I hate to say this, but I need to reread
14 my statements there and I hope that they make
15 sense at this late hour.

16 Q. Okay.

17 A. Honestly, I don't know what I meant by
18 that reference. I guess the gist of my paragraph
19 is that it's a problematic issue. If the
20 Company's proposed and presumably justified or
21 attempted to justify certain kinds costs if the
22 Commission orders certain other expenditures, the

1 question becomes how do they recovery those
2 expenditures?

3 JUDGE ZABAN: Whenever that is, right?

4 THE WITNESS: And I think the gist of this is,
5 perhaps, the next rate case that's Staff's
6 general answer to everything, every issue of the
7 sort, but I don't know the answer to the
8 question.

9 JUDGE SHOWTIS: That's all.

10 MR. REVETHIS: If we could have a moment.

11 JUDGE SHOWTIS: All right.

12 REDIRECT EXAMINATION

13 BY

14 MR. REVETHIS:

15 Q. Dr. Schlaf, Mr. Kelter asked you if you
16 considered the proposed programs to be pilot
17 programs. Do you have that in mind?

18 A. Yes.

19 Q. Would you like to -- do you wish to
20 clarify your response in that regard?

21 A. Yes. When I responded to Mr. Kelter, I
22 was thinking of the programs applicable to

1 residential customers and those programs are to
2 be offered for an initial term and there are
3 enrollment limits and as I stated earlier, they
4 seem to have the characterizes that one might
5 associate with a pilot program, but there -- the
6 Company is also offering programs for larger
7 customers and those are -- at least in my
8 understanding permit programs, they wouldn't be
9 considered to be pilot programs.

10 JUDGE ZABAN: Is that it?

11 MR. REVETHIS: One more.

12 BY MR. REVETHIS:

13 Q. Okay. Dr. Schlaf, Judge Showtis asked you
14 a question regarding what you meant by the next
15 filing that reference you made in your rebuttal
16 testimony. Would you like to provide some
17 clarification to that response also?

18 A. Yes. If there are additional
19 opportunities for filings in this proceeding, the
20 Company could -- and it is allowable the Company
21 conceivably could offer cost justification for
22 new expenditures that the Commission might order

1 in the proceeding, and if that doesn't happen to
2 be the case, the Company might have an
3 opportunity, if it wished, to amend its program
4 that's conceivably the case, or in a larger --
5 I'm sorry, in a rate case that might happen
6 sometime down the road.

7 JUDGE SHOWTIS: While Staff Counsel was out of
8 the room, Mr. Munson suggested pushing back the
9 briefs slightly.

10 MR. REVETHIS: Are we off the record?

11 JUDGE SHOWTIS: Yes.

12 (Discussion off the record.)

13 JUDGE SHOWTIS: There will be a change in the
14 briefing schedule. The initial briefs are now
15 due on November 20th. The reply briefs are due
16 on December 4th.

17 I am going to require that the parties
18 adhere to an outline and I'll allow a lot of
19 discretion within the outline but the briefs
20 should consist of the following:

21 The first section can be either
22 background or an overview.

1 The second section of the brief should
2 address Rider SVT, the Companies proposals and
3 changes thereto.

4 The third section of the brief should
5 address Rider AGG.

6 The fourth section of the brief should
7 address terms and conditions of service and I
8 think maybe the only thing that's proposed there
9 is that -- operational integrity provision I
10 think is the only change to the terms and
11 conditions of service.

12 And then the last part of the brief
13 should address the proposed changes to Rider 2,
14 Gas Charges.

15 MR. KELTER: That's Rider SVT?

16 JUDGE SHOWTIS: Right.

17 MR. FEIN: Single billing issues should be
18 addressed?

19 JUDGE SHOWTIS: Now, if there is something
20 that doesn't necessarily fit under any of those
21 categories, you can put it under other issues at
22 the end.

1 MR. REVETHIS: Single billing was No. 6, then?

2 JUDGE ZABAN: No. We want it under SVT.

3 JUDGE SHOWTIS: Right.

4 MR. FEIN: It would be a sub.

5 JUDGE SHOWTIS: Right. I think everything can
6 fit in there. If there is some issue that
7 doesn't fall under changes to Rider SVT, Rider
8 AGG, terms of condition and service, and Rider 2,
9 gas charges, you can put it under other issues.

10 One thing I'd like to set is reasonable
11 limits on briefs. I think when we set them no
12 one's really had a problem adhering to that
13 except for one entity that used phony footnotes
14 to stay within the page limit.

15 So let's just go off the record.

16 (Discussion off the record.)

17 JUDGE SHOWTIS: The last instruction with
18 regard to the briefs is, there is a 75-page limit
19 on the initial briefs, a 50-page limit on the
20 reply briefs. There's one other thing I want to
21 repeat. The ALJs would like to receive an
22 electronic copy of the briefs in the Word format.

1 It's easier for us to work with those briefs when
2 they are in Word format.

3 MR. MUNSON: 9:00 o'clock on the due date?

4 JUDGE SHOWTIS: On the same day that they're
5 due, yes. It's very hard to work with --

6 JUDGE ZABAN: Electronic filing on the due
7 date, hard copy to follow, but it's got to be
8 filed electronically with the Clerk's Office by
9 5:00 o'clock that day, because they close at
10 5:00, so you got to get it in before 5:00.

11 JUDGE SHOWTIS: But we want it set to us in
12 Word, not PDF.

13 MR. MUNSON: And just to you just to, hard
14 copies?

15 JUDGE SHOWTIS: We're off the record.

16 (Discussion off the record.)

17 JUDGE SHOWTIS: Just to clarify, the ALJs
18 would want an electronic copy sent to us in Word
19 format with a hard copy to follow. I think the
20 parties have agreed that they can just send
21 electronic copies to each other that can be in
22 PDF I don't think they have to be in Word to each

1 other I don't --

2 MR. REVETHIS: PDF to the Clerk's Office?

3 (Discussion off the record.)

4 JUDGE SHOWTIS: At least with regard to the
5 initial briefs that the parties serve on each
6 other, they should be in Word format. The -- I
7 don't believe that the change in the briefing
8 schedule will cause the ALJs to change their
9 dates for their proposed order and I think it was
10 set at January -- it was set at January 9th at
11 the last -- at the prehearing conference, so
12 we'll try to get it out ahead of that date, but
13 no later than that date and then briefs on
14 exceptions will still be due two weeks after the
15 proposed order or if it's out earlier, two weeks
16 after whenever it's out and one seven days for
17 any replies to exceptions.

18 We still intend to get -- proposed order
19 to the Commission no later than February 8th.

20 Is there anything else that needs to be
21 discussed? Then the record be marked heard and
22 taken.

1 HEARD AND TAKEN.

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CERTIFICATE OF REPORTER

STATE OF ILLINOIS)
)
COUNTY OF COOK)
)
CASE NOS. 01-0469 and 01-0470)

TITLE: NORTH SHORE GAS Company and THE PEOPLES
GAS LIGHT AND COKE Company

I, Tracy L. Ross do hereby certify that I am a
court reporter contracted by SULLIVAN REPORTING
Company, of Chicago, Illinois; that I reported in
shorthand the evidence taken and the proceedings
had in the hearing on the above-entitled case on
the 23rd day of October A.D. 2001; that the
foregoing 327 pages are a true and correct
transcript of my shorthand notes so taken as
aforesaid, and contains all the proceedings
directed by the Commission or other person
authorized by it to conduct the said hearing to
be stenographically reported.

Dated at Chicago, Illinois, this 6th day
of November A.D. 2001.

TRACY L. ROSS